

**BRAZOS INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

FOR THE YEAR ENDED AUGUST 31, 2017

(This page intentionally left blank)

Brazos Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2017

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
 INTRODUCTORY SECTION		
Certificate of Board.....	1	
 FINANCIAL SECTION		
Independent Auditors' Report.....	5	
Management's Discussion and Analysis (Required Supplementary Information).....	11	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	19	A-1
Statement of Activities.....	21	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	22	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	25	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	26	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	29	C-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	31	E-1
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	33	E-2
Notes to the Financial Statements .....	35	
 <u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	54	G-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Teacher Retirement System of Texas (TRS).....	57	G-2
Schedule of District Contributions - Teacher Retirement System of Texas (TRS).....	58	G-3
 <u>Combining Statements as Supplementary Information:</u>		
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	62	H-1
Combining Statement of Revenues, Expenditures, and Changes		
in Fund Balances - Nonmajor Special Revenue Funds.....	66	H-2

Brazos Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2017

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	72	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency:		
National School Breakfast and Lunch Program.....	75	J-2
Debt Service Fund.....	77	J-3
FEDERAL AWARDS AND OTHER COMPLIANCE SECTION		
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	81	
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	83	
Schedule of Findings and Questioned Costs .....	85	
Summary Schedule of Prior Audit Findings.....	87	
Schedule of Expenditures of Federal Awards .....	89	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	91	
Schedule of Required Responses to Selected School First Indicators.....	93	L-1

## *Introductory Section*

(This page intentionally left blank)

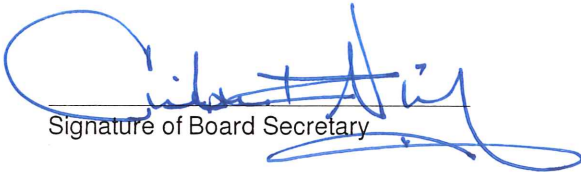
CERTIFICATE OF BOARD

Brazos Independent School District  
Name of School District

Austin  
County

008-903  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2017, at a meeting of the board of trustees of such school district on the 21st day of February, 2018.

  
Signature of Board Secretary

  
Signature of Board President

If the board of trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):  
(attach list as necessary)

(This page intentionally left blank)



*Financial Section*

(This page intentionally left blank)



## Independent Auditors' Report

To the Board of Trustees of  
Brazos Independent School District:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brazos Independent School District (the "District") as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2017, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability, and schedule of District contributions, identified as Required Supplementary Information in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other supplementary information, and the schedule of required responses to selected school first indicators are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and the schedule of required responses to selected school first indicators have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2018 on our consideration of Brazos Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
Certified Public Accountants  
Houston, Texas  
January 30, 2018

(This page intentionally left blank)

*Management's Discussion & Analysis (MD&A)*

(This page intentionally left blank)



# **BRAZOS INDEPENDENT SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Year Ended August 31, 2017**

This discussion and analysis of the Brazos Independent School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2017. It should be read in conjunction with the District's financial statements.

### **FINANCIAL HIGHLIGHTS**

- The District's total combined net position at August 31, 2017 was \$2,034,253.
- For the fiscal year ended August 31, 2017, the District's general fund reported a total fund balance of \$2,049,874, which was unassigned.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds, capital project fund, and the debt service fund) reported combined ending fund balances of \$3,440,670.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information*. The basic statements include two kinds of statements that present different views of the District.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the fiduciary resources belong. This fund includes student activity funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current period's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The government-wide statements report the District's net position and how it has changed. Net position is the difference between the District's assets and liabilities and is one way to measure the District's financial health or position.

# **BRAZOS INDEPENDENT SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**For the Year Ended August 31, 2017**

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's tax base, staffing patterns, enrollment, and attendance.

The government-wide financial statements of the District include the *governmental activities*. Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operation and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State foundation program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

### **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are simply accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity – these assets do not belong to the District, but the District is responsible to properly account for them.

The District has the following kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Fiduciary funds* – The District serves as the trustee, or fiduciary, for certain funds such as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities that are reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

# BRAZOS INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2017

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$2,034,253 at August 31, 2017. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the fiscal year ended August 31, 2017. The overall condition of the District increased by \$3,690. Capital assets decreased primarily due to depreciation and long-term liabilities decrease primarily due to current year principal payments and the refunding of Series 2007 bonds.

**Table 1**  
**Net Position**

Description	Governmental Activities		Total Change
	2017	2016	2017-2016
Current assets	\$ 3,866,705	\$ 3,663,884	\$ 202,821
Capital assets	15,174,456	15,728,989	(554,533)
<b>Total Assets</b>	<b>19,041,161</b>	<b>19,392,873</b>	<b>(351,712)</b>
Deferred charge of refunding	1,090,409	1,094,533	(4,124)
Deferred outflows related to pensions	699,954	1,044,412	(344,458)
<b>Total Deferred Outflows of Resources</b>	<b>1,790,363</b>	<b>2,138,945</b>	<b>(348,582)</b>
Current liabilities	212,979	119,263	93,716
Long-term liabilities	18,399,231	19,038,859	(639,628)
<b>Total Liabilities</b>	<b>18,612,210</b>	<b>19,158,122</b>	<b>(545,912)</b>
Deferred inflows related to pensions	185,061	343,133	(158,072)
<b>Total Deferred Inflows of Resources</b>	<b>185,061</b>	<b>343,133</b>	<b>(158,072)</b>
<b>Net Position:</b>			
Net investment in capital assets	458,693	1,350,648	(891,955)
Restricted for:			
State programs	27,374	4,690	22,684
Debt service	588,672	424,049	164,623
Other restrictions	38,501	40,186	(1,685)
Unrestricted	921,013	210,990	710,023
<b>Total Net Position</b>	<b>\$ 2,034,253</b>	<b>\$ 2,030,563</b>	<b>\$ 3,690</b>

**BRAZOS INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended August 31, 2017

**Table 2**  
**Changes in Net Position**

	<b>Governmental Activities</b>		<b>Total Change 2017-2016</b>
	<b>2017</b>	<b>2016</b>	
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 243,633	\$ 257,704	\$ (14,071)
Operating grants and contributions	1,784,563	1,968,028	(183,465)
General revenues:			
Property taxes	3,844,964	4,068,190	(223,226)
Grants and contributions not restricted	4,228,572	4,794,122	(565,550)
Investment earnings	52,025	35,265	16,760
Miscellaneous	94,638	10,398	84,240
<b>Total Revenue</b>	<b>10,248,395</b>	<b>11,133,707</b>	<b>(885,312)</b>
<b>Expenses</b>			
Instruction	5,213,273	5,395,129	(181,856)
Instructional resources and media services	107,482	110,654	(3,172)
Curriculum and staff development	10,478	8,530	1,948
Instructional leadership	175,540	172,035	3,505
School leadership	724,691	738,188	(13,497)
Guidance, counseling, and evaluation services	222,938	227,501	(4,563)
Health services	84,869	82,280	2,589
Student (pupil) transportation	417,681	448,272	(30,591)
Food services	631,418	658,328	(26,910)
Cocurricular/extracurricular activities	471,112	440,608	30,504
General administration	491,933	523,765	(31,832)
Plant maintenance and operations	1,108,252	1,321,814	(213,562)
Data processing services	2,622	2,622	-
Interest on long-term debt	400,776	478,995	(78,219)
Bond issuance costs and fees	181,640	71,586	110,054
Other intergovernmental charges	-	14,425	(14,425)
<b>Total Expenses</b>	<b>10,244,705</b>	<b>10,694,732</b>	<b>(450,027)</b>
<b>Change in Net Position</b>	<b>3,690</b>	<b>438,975</b>	<b>(435,285)</b>
Beginning net position	2,030,563	1,591,588	438,975
<b>Ending Net Position</b>	<b>\$ 2,034,253</b>	<b>\$ 2,030,563</b>	<b>\$ 3,690</b>

Revenues from governmental activities totaled \$10,248,395, which is a decrease of \$885,312 from the 2016 fiscal year. This includes a decrease in grants and contributions revenue of \$565,550. Grant revenue fluctuates based on weighted average daily attendance. Property tax revenues decreased \$223,226 primarily due to the decline in mineral values and overall property valuations. In total, revenues for the year decreased by 8% from the prior year.

Expenses from governmental activities totaled \$10,244,705, which is a decrease of \$450,027. This includes a decrease in plant maintenance and operation expense of \$213,562 and instruction expense of \$181,856 primarily due to budget reductions. In total, expenses for the year decreased 4% from the prior year.

**BRAZOS INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended August 31, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

At the close of the fiscal year ending August 31, 2017, the District's governmental funds reported a combined fund balance of \$3,440,670. This compares to a combined fund balance of \$3,259,321 at August 31, 2016. The fund balance in the general fund decreased primarily due to a decrease in state program revenue. Grant revenue fluctuates based on weighted average daily attendance. The decrease in student transportation expenditures was primarily due to the prior year bus purchases. The fund balance in the debt service fund increased primarily due to a decrease in bonded debt expenditures. The fund balance in the capital projects fund increased due to an increase in earnings from temporary investments. The state textbook fund reported no change in fund balance.

**BUDGETARY HIGHLIGHTS**

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service fund. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2017, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. The change between the original budget and the final amended budget was due to a decrease in instruction costs. The general fund's actual revenues exceeded budgeted revenues by \$31,142 and the budgeted expenditures exceeded actual expenditures by \$393,412.

**CAPITAL ASSETS**

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost of an amount determined by the Board of Trustees. Donated capital assets are recorded at acquisition value at the date of donation. During the fiscal year ended August 31, 2017, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At August 31, 2017, the District had a total of \$15,174,456 invested in capital assets (net of accumulated depreciation) such as land, buildings, and District equipment. This total includes \$99,863 invested during the fiscal year ended August 31, 2017. This includes wireless routers and controllers and 2 new AC units for the high school.

More detailed information about the District's capital assets can be found in the notes to the financial statements.

**LONG-TERM DEBT**

At year end, the District had \$14,243,847 in general obligations bonds and loans outstanding versus \$15,107,267 last year. The District issued \$3,205,000 of Unlimited Tax Refunding Bonds, Series 2017 and defeased \$3,390,000 in Unlimited Tax Refunding Bonds, Series 2007.

More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

**BRAZOS INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended August 31, 2017**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The following factors were considered in establishing the District's budget for 2017-2018:

- The District budgeted revenues of \$8,204,768 and expenditures of \$7,967,609 for an increase in the general fund fund balance.
- The District's Board of Trustees adopted a Maintenance & Operation tax rate of \$1.04 and an Interest & Sinking tax rate of \$0.39 for a total of \$1.43 per \$100 of property valuation. The total appraised values for the District have declined significantly over the past three years due to a decline in mineral values.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and creditors with a general overview of the District's finances and to demonstrate the District's commitment to accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Brazos Independent School District's business office at 227 Educator Lane, Wallis, Texas 77485 or by calling (979) 478-6066.

## *Basic Financial Statements*

(This page intentionally left blank)



**BRAZOS INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

AUGUST 31, 2017

1

Data Control Codes		Governmental Activities
<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$ 3,503,570
1220	Property Taxes Receivable	432,043
1230	Allowance for Uncollectible Taxes	(132,033)
1240	Due from Other Governments	63,125
	Capital Assets:	
1510	Land	310,000
1520	Buildings and Improvements, Net	14,126,880
1530	Furniture and Equipment, Net	274,930
1540	Vehicles, Net	462,646
1000	Total Assets	<u>19,041,161</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
1701	Deferred Charge of Refunding	1,090,409
1705	Deferred Outflows Related to Pensions	699,954
1700	Total Deferred Outflows of Resources	<u>1,790,363</u>
<b>LIABILITIES:</b>		
2110	Accounts Payable	38,929
2120	Short-Term Debt Payable	65,636
2140	Interest Payable	21,318
2165	Accrued Liabilities	86,663
2300	Unearned Revenue	433
	Noncurrent Liabilities:	
2501	Due Within One Year	575,000
2502	Due in More Than One Year	16,085,123
2540	Net Pension Liability	1,739,108
2000	Total Liabilities	<u>18,612,210</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
2605	Deferred Inflows Related to Pensions	185,061
2600	Total Deferred Inflows of Resources	<u>185,061</u>
<b>NET POSITION:</b>		
3200	Net Investment in Capital Assets	458,693
	Restricted For:	
3820	State and Federal Program	27,374
3850	Debt Service	588,672
3890	Other Restrictions	38,501
3900	Unrestricted	921,013
3000	Total Net Position	<u>\$ 2,034,253</u>

The accompanying notes are an integral part of this statement.

(This page intentionally left blank)

**BRAZOS INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2017

		1	3	4	Net (Expense) Revenue and Changes in Net Position
Data Control Codes	Functions/Programs	Expenses	Program Revenues Charges for Services	Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 5,213,273	\$ --	\$ 1,013,240	\$ (4,200,033)
12	Instructional Resources and Media Services	107,482	--	9,495	(97,987)
13	Curriculum and Staff Development	10,478	--	261	(10,217)
21	Instructional Leadership	175,540	--	22,826	(152,714)
23	School Leadership	724,691	--	94,499	(630,192)
31	Guidance, Counseling, & Evaluation Services	222,938	--	29,401	(193,537)
33	Health Services	84,869	--	10,910	(73,959)
34	Student Transportation	417,681	--	27,857	(389,824)
35	Food Service	631,418	175,123	388,207	(68,088)
36	Cocurricular/Extracurricular Activities	471,112	59,177	35,709	(376,226)
41	General Administration	491,933	9,333	47,601	(434,999)
51	Facilities Maintenance and Operations	1,108,252	--	71,752	(1,036,500)
53	Data Processing Services	2,622	--	--	(2,622)
72	Interest on Long-term Debt	400,776	--	32,805	(367,971)
73	Bond Issuance Costs and Fees	181,640	--	--	(181,640)
TG	Total Governmental Activities	10,244,705	243,633	1,784,563	(8,216,509)
TP	Total Primary Government	\$ 10,244,705	\$ 243,633	\$ 1,784,563	(8,216,509)
General Revenues:					
MT	Property Taxes, Levied for General Purposes				2,670,535
DT	Property Taxes, Levied for Debt Service				1,174,429
IE	Investment Earnings				52,025
GC	Grants and Contributions Not Restricted to Specific Programs				4,228,572
MI	Miscellaneous				94,638
TR	Total General Revenues				8,220,199
CN	Change in Net Position				3,690
NB	Net Position - Beginning				2,030,563
NE	Net Position - Ending				\$ 2,034,253

The accompanying notes are an integral part of this statement.

**BRAZOS INDEPENDENT SCHOOL DISTRICT**

## BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2017

Data Control Codes		10	50
		General Fund	Debt Service
<b>ASSETS:</b>			
1110	Cash and Cash Equivalents	\$ 2,104,871	\$ 588,672
1220	Property Taxes Receivable	317,718	114,325
1230	Allowance for Uncollectible Taxes	(101,929)	(30,104)
1240	Due from Other Governments	38,476	--
1000	Total Assets	<u>\$ 2,359,136</u>	<u>\$ 672,893</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2110	Accounts Payable	\$ 10,313	\$ --
2150	Payroll Deductions & Withholdings	1,718	--
2160	Accrued Wages Payable	79,304	--
2200	Accrued Expenditures	2,138	--
2300	Unearned Revenue	--	--
2000	Total Liabilities	<u>93,473</u>	<u>--</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
2601	Unavailable Revenue - Property Taxes	215,789	84,221
2600	Total Deferred Inflows of Resources	<u>215,789</u>	<u>84,221</u>
<b>FUND BALANCES:</b>			
Restricted Fund Balances:			
3450	Federal/State Funds Grant Restrictions	--	--
3480	Retirement of Long-Term Debt	--	588,672
3490	Other Restrictions of Fund Balance	--	--
Committed Fund Balances:			
3510	Construction	--	--
3600	Unassigned	2,049,874	--
3000	Total Fund Balances	<u>2,049,874</u>	<u>588,672</u>
4000	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,359,136</u>	<u>\$ 672,893</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

60	410	Other	98
Capital Projects	State Textbook	Governmental Funds	Total Governmental Funds
\$ 736,249	\$ 433	\$ 73,345	\$ 3,503,570
--	--	--	432,043
--	--	--	(132,033)
--	14,853	9,796	63,125
<u>\$ 736,249</u>	<u>\$ 15,286</u>	<u>\$ 83,141</u>	<u>\$ 3,866,705</u>
\$ --	\$ 14,853	\$ 13,763	\$ 38,929
--	--	--	1,718
--	--	3,158	82,462
--	--	345	2,483
--	433	--	433
<u>--</u>	<u>15,286</u>	<u>17,266</u>	<u>126,025</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>300,010</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>300,010</u>
--	--	27,374	27,374
--	--	--	588,672
--	--	38,501	38,501
736,249	--	--	736,249
--	--	--	2,049,874
<u>736,249</u>	<u>--</u>	<u>65,875</u>	<u>3,440,670</u>
<u>\$ 736,249</u>	<u>\$ 15,286</u>	<u>\$ 83,141</u>	<u>\$ 3,866,705</u>

(This page intentionally left blank)

**BRAZOS INDEPENDENT SCHOOL DISTRICT**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
AUGUST 31, 2017

Total fund balances - governmental funds balance sheet	\$ 3,440,670
--	--------------

Amounts reported for governmental activities in the Statement of Net Position  
are different because:

Capital assets used in governmental activities are not reported in the funds.	15,174,456
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	300,010
Payables for bond principal which are not due in the current period are not reported in the funds.	(14,511,903)
Payables for bond interest which are not due in the current period are not reported in the funds.	(21,318)
Payables for notes which are not due in the current period are not reported in the funds.	(203,860)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(919,587)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(1,739,108)
Deferred inflows of resources related to the pensions are not reported in the funds.	(185,061)
Deferred outflows of resources related to the pensions are not reported in the funds.	699,954

Net position of governmental activities - Statement of Net Position	\$ <u>2,034,253</u>
---	---------------------

The accompanying notes are an integral part of this statement.

# **BRAZOS INDEPENDENT SCHOOL DISTRICT**

## **STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED AUGUST 31, 2017**

Data Control Codes		10	50
		General Fund	Debt Service
<b>REVENUES:</b>			
5700	Local and Intermediate Sources	\$ 2,886,269	\$ 1,195,496
5800	State Program Revenues	4,549,552	32,805
5900	Federal Program Revenues	283,527	--
5020	Total Revenues	<u>7,719,348</u>	<u>1,228,301</u>
<b>EXPENDITURES:</b>			
Current:			
0011	Instruction	4,059,288	--
0012	Instructional Resources and Media Services	82,221	--
0013	Curriculum and Staff Development	6,519	--
0021	Instructional Leadership	164,531	--
0023	School Leadership	675,414	--
0031	Guidance, Counseling, & Evaluation Services	208,439	--
0033	Health Services	78,754	--
0034	Student Transportation	361,446	--
0035	Food Service	--	--
0036	Cocurricular/Extracurricular Activities	382,935	--
0041	General Administration	469,856	--
0051	Facilities Maintenance and Operations	1,122,733	--
0071	Principal on Long-term Debt	63,423	615,000
0072	Interest on Long-term Debt	9,328	449,856
0073	Bond Issuance Costs and Fees	--	108,181
0073	Payments to Escrow Agents	--	3,459,334
6030	Total Expenditures	<u>7,684,887</u>	<u>4,632,371</u>
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	<u>34,461</u>	<u>(3,404,070)</u>
Other Financing Sources and (Uses):			
7911	Capital-Related Debt Issued (Regular Bonds)	--	3,205,000
7912	Sale of Real or Personal Property	3,015	--
7915	Transfers In	--	--
7916	Premium or Discount on Issuance of Bonds	--	363,693
8911	Transfers Out	(49,072)	--
7080	Total Other Financing Sources and (Uses)	<u>(46,057)</u>	<u>3,568,693</u>
1200	Net Change in Fund Balances	<u>(11,596)</u>	<u>164,623</u>
0100	Fund Balances - Beginning	2,061,470	424,049
3000	Fund Balances - Ending	<u>\$ 2,049,874</u>	<u>\$ 588,672</u>



EXHIBIT C-2

60	410	Other	98
Capital Projects	State Textbook	Governmental Funds	Total Governmental Funds
\$ 7,323	\$ --	\$ 205,606	\$ 4,294,694
--	22,211	17,483	4,622,051
--	--	759,524	1,043,051
<u>7,323</u>	<u>22,211</u>	<u>982,613</u>	<u>9,959,796</u>
--	22,211	408,637	4,490,136
--	--	--	82,221
--	--	--	6,519
--	--	--	164,531
--	--	1,380	676,794
--	--	1,500	209,939
--	--	--	78,754
--	--	--	361,446
--	--	565,538	565,538
--	--	33,631	416,566
--	--	--	469,856
--	--	--	1,122,733
--	--	--	678,423
--	--	--	459,184
--	--	--	108,181
--	--	--	3,459,334
<u>--</u>	<u>22,211</u>	<u>1,010,686</u>	<u>13,350,155</u>
<u>7,323</u>	<u>--</u>	<u>(28,073)</u>	<u>(3,390,359)</u>
--	--	--	3,205,000
--	--	--	3,015
--	--	49,072	49,072
--	--	--	363,693
--	--	--	(49,072)
<u>--</u>	<u>--</u>	<u>49,072</u>	<u>3,571,708</u>
<u>7,323</u>	<u>--</u>	<u>20,999</u>	<u>181,349</u>
<u>728,926</u>	<u>--</u>	<u>44,876</u>	<u>3,259,321</u>
<u>\$ 736,249</u>	<u>\$ --</u>	<u>\$ 65,875</u>	<u>\$ 3,440,670</u>

(This page intentionally left blank)

**BRAZOS INDEPENDENT SCHOOL DISTRICT**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2017

Net change in fund balances - total governmental funds	\$ 181,349
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:	
Capital outlays are not reported as expenses in the SOA.	99,863
The depreciation of capital assets used in governmental activities is not reported in the funds.	(649,986)
The gain or loss on the sale of capital assets is not reported in the funds.	(4,410)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(71,435)
Repayment of bond principal is an expenditure in the funds, but is not an expense in the SOA.	615,000
Repayment of loan principal is an expenditure in the funds, but is not an expense in the SOA.	63,423
Bond issuance costs and similar items are amortized in the SOA, but not in the funds.	(73,459)
(Increase) decrease in accrued interest from beginning of period to end of period.	(38,741)
Proceeds of long-term debt is recognized as other financial resources in the funds, but not revenue in the SOA.	3,459,334
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(3,205,000)
Bond premiums are reported in the funds, but not in the SOA.	(257,560)
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resources.	348,034
The District's share of the unrecognized deferred inflows and outflows related to pensions was amortized.	(462,722)
Change in net position of governmental activities - Statement of Activities	\$ <u>3,690</u>

The accompanying notes are an integral part of this statement.

(This page intentionally left blank)

**BRAZOS INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

AUGUST 31, 2017

Data Control Codes		Private-purpose Trust Fund	Agency Fund
		Education Scholarships	Student Activity
<b>ASSETS:</b>			
1110	Cash and Cash Equivalents	\$ 2,095	\$ 95,124
1000	Total Assets	<u>2,095</u>	<u>95,124</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2190	Due to Student Groups	--	95,124
2000	Total Liabilities	<u>--</u>	<u>95,124</u>
<b>NET POSITION:</b>			
3800	Held in Trust	2,095	--
3000	Total Net Position	<u>\$ 2,095</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

(This page intentionally left blank)

**BRAZOS INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

	Private- Purpose Trusts
<b>Additions:</b>	
Investment Income	\$ 18
Gifts & Bequests	230
Total Additions	<u>248</u>
<b>Change in Net Position</b>	248
Net Position-Beginning of the Year	1,847
Net Position-End of the Year	<u>\$ 2,095</u>

The accompanying notes are an integral part of this statement.

(This page intentionally left blank)



# **BRAZOS INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017**

### **A. Summary of Significant Accounting Policies**

The basic financial statements of Brazos Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

#### **1. Reporting Entity**

The Board of School Trustees (the "Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (TEA) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state, and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

#### **2. Basis of Presentation, Basis of Accounting**

##### **a. Basis of Presentation**

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund: This fund is used to account for tax revenues and for the repayment of principal, interest, and related costs on long-term debt for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all of its related debt obligations have been met.

Capital Projects Fund: This fund is used to account for revenues and expenses related to projects financed by proceeds of bond issues or for capital projects otherwise mandated to be accounted for in this fund. This fund is not required to be budgeted on an annual basis.

## **BRAZOS INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017**

In addition, the District reports the following fund types:

**Special Revenue Funds:** These funds are used to account for revenues and expenses related to grant awards and entitlements from federal, state, and local agencies. These funds are primarily on a reimbursement basis. Nearly all of these funds cannot carry a fund balance and, other than the food service fund, none of these funds are legally required to have an adopted budget.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

**Private-Purpose Trust Funds:** These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

**Agency Funds:** These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

**b. Measurement Focus, Basis of Accounting**

**Government-wide and Fiduciary Fund Financial Statements:** These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Governmental Fund Financial Statements:** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

## BRAZOS INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

#### 3. Financial Statement Amounts

##### a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

##### b. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

##### c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at acquisition value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building and Improvements	20 - 50 years
Vehicles	8 - 10 years
Furniture and Equipment	5 - 20 years

**BRAZOS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District has six items that qualify for reporting in this category on the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience, for the changes in actuarial assumptions, and for changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. Deferred charges are recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. A deferred charge has been recognized for employer pension plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year. This amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category in the government-wide Statement of Net Position. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience, for the changes in actuarial assumptions, and for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the District's defined pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. At the fund level, the District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

**BRAZOS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

h. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

j. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

k. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**BRAZOS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

I. Program Revenue

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

4. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS' fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

B. Compliance and Accountability

Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
The District did not meet the Texas Education Agency's regulation regarding expenditures in program intent codes 22 and 23.	The District will monitor expenditures in program intent codes 22 and 23 in fiscal year 2018 to ensure that the District meets the compliance amount.

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

1. Cash Deposits:

At August 31, 2017, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,600,789 and the bank balance was \$3,632,461. The District's cash deposits at August 31, 2017 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act (the "Act"), to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

## BRAZOS INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers' acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

#### 3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and, if so, the reporting of certain related disclosures:

##### a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

##### b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

##### c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

##### d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

##### e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

# BRAZOS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017

### Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

### D. Capital Assets

Capital asset activity for the year ended August 31, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 310,000	\$ --	\$ --	\$ 310,000
Total capital assets not being depreciated	310,000	--	--	310,000
Capital assets being depreciated:				
Buildings and improvements	22,379,253	--	--	22,379,253
Equipment	601,903	99,863	(15,400)	686,366
Vehicles	1,577,932	--	(71,656)	1,506,276
Total capital assets being depreciated	24,559,088	99,863	(87,056)	24,571,895
Less accumulated depreciation for:				
Buildings and improvements	(7,691,305)	(561,068)	--	(8,252,373)
Equipment	(395,028)	(27,398)	10,990	(411,436)
Vehicles	(1,053,766)	(61,520)	71,656	(1,043,630)
Total accumulated depreciation	(9,140,099)	(649,986)	82,646	(9,707,439)
Total capital assets being depreciated, net	15,418,989	(550,123)	(4,410)	14,864,456
Governmental activities capital assets, net	\$ 15,728,989	\$ (550,123)	\$ (4,410)	\$ 15,174,456

Depreciation was charged to functions as follows:

Instruction	\$ 434,312
Instructional Resources and Media Services	21,755
Curriculum and Staff Development	3,959
School Leadership	4,601
Guidance, Counseling, and Evaluation Services	506
Health Services	1,905
Student Transportation	59,080
Food Services	40,455
Extracurricular Activities	37,222
General Administration	1,557
Plant Maintenance and Operations	42,012
Data Processing Services	2,622
	<u>\$ 649,986</u>



# BRAZOS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

### E. Interfund Balances and Activities

Transfers to and from other funds at August 31, 2017 consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Special Revenue Fund	\$ 49,072	Supplement other funds sources
	Total	\$ 49,072	

### F. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

#### 1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2017 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Bonds, notes, and other payables:					
Series 2007 Bonds	\$ 3,469,993	\$ --	\$ (3,430,000)	\$ 39,993	\$ --
Series 2008 Bonds	165,000	--	(85,000)	80,000	80,000
Series 2012 Bonds	5,355,000	--	(370,000)	4,985,000	375,000
Series 2015 Bonds	5,849,994	--	(90,000)	5,759,994	90,000
Series 2017 Bonds	--	3,205,000	(30,000)	3,175,000	30,000
Loan 7342	267,283	--	(63,423)	203,860	65,636
	<u>15,107,270</u>	<u>3,205,000</u>	<u>(4,068,423)</u>	<u>14,243,847</u>	<u>640,636</u>
<u>Other liabilities:</u>					
Accreted Interest on CAB	879,441	40,146	--	919,587	--
Issuance Premiums	1,304,765	363,693	(106,133)	1,562,325	*
Net Pension Liability	1,810,806	181,373	(253,071)	1,739,108	--
Total governmental activities	<u>\$ 19,102,282</u>	<u>\$ 3,790,212</u>	<u>\$ (4,427,627)</u>	<u>\$ 18,464,867</u>	<u>\$ 640,636</u>
Long-term liabilities due in more than one year				<u>\$ 17,824,231</u>	
* Debt associated with capital assets				<u>\$ 15,806,172</u>	

Bonded indebtedness of the District reflected in the general long-term debt and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. These bonds were issued as unlimited tax school building and refunding bonds. The interest rate on Series 2007 bonds ranged from 3.65% to 4.25%. The interest rate on Series 2008 bonds ranged from 4.00% to 5.25%. The interest rate on Series 2012 bonds ranged from 1.00% to 3.30%. The interest rate on Series 2015 bonds range from 0.00% to 4.00%. The interest rate on Series 2017 ranged from 2.00% to 4.00%. The interest expense was \$468,169 for the year ended August 31, 2017.

Loan indebtedness of the District reflected in the general long-term debt and current requirements for principal and interest expenditures are accounted for in the General Fund. The interest rate on the loan is 3.490%. This loan will be paid in four annual payments started in 2017.

## BRAZOS INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017

#### 2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2017, are as follows:

Year Ending August 31,	Governmental Activities				
	Loan Principal	Loan Interest	Bond Principal	Bond Interest	Total
2018	\$ 65,636	\$ 7,115	\$ 575,000	\$ 486,258	\$ 1,134,009
2019	67,927	4,824	600,000	471,007	1,143,758
2020	70,297	2,453	615,000	454,708	1,142,458
2021	--	--	625,000	437,782	1,062,782
2022	--	--	645,000	418,808	1,063,808
2023-2027	--	--	2,634,993	2,687,994	5,322,987
2028-2032	--	--	4,100,000	1,222,081	5,322,081
2033-2037	--	--	4,244,994	1,142,403	5,387,397
Totals	<u>\$ 203,860</u>	<u>\$ 14,392</u>	<u>\$ 14,039,987</u>	<u>\$ 7,321,041</u>	<u>\$ 21,579,280</u>

#### 3. Current Refunding of Debt

The District issued \$3,205,000 of Unlimited Tax Refunding Bonds, Series 2017, which is a current refunding in the amount of \$3,390,000 of Unlimited Tax Refunding Bonds, Series 2007. The refunding was undertaken to reduce total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by \$69,334. This amount is being netted against the new debt and amortized over the remaining life of the new debt. The current refunding also resulted in an economic gain of \$335,006 and a reduction of \$407,426 in future debt payments.

#### G. Commitments Under Noncapitalized Leases

The District had no future commitment under operating (noncapitalized) lease agreements.

Rental Expenditures in 2017                      \$ 38,453

#### H. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

#### I. Pension Plan

##### 1. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

## BRAZOS INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017

#### 2. Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2016.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

#### 3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule.

There are no automatic post-employment benefit changes, including automatic cost of living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description in (1.) above.

#### 4. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

<b><u>Contribution Rates</u></b>		
	<b><u>2016</u></b>	<b><u>2017</u></b>
Member	7.2%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2017 Employer Contributions	\$ 146,224	
District's 2017 Member Contributions	\$ 135,474	
NECE 2017 On-Behalf Contributions to District	\$ 282,539	

Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools, and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

## BRAZOS INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities, or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational, and general or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors, and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

#### 5. Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term Expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four-year period ending August 31, 2014 and adopted on September 24, 2015.

# BRAZOS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017

### 6. Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2016 are summarized below:

<b>Teacher Retirement System of Texas</b> <b>Asset Allocation and Long-Term Expected Real Rate of Return</b> <b>As of August 31, 2016</b>			
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Geometric Real Rate of Return</b>	<b>Expected Contribution to Long-term Portfolio Returns *</b>
<b>Global Equity</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation	0%		2.2%
Alpha	0%		1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

\* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

## BRAZOS INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017

#### 7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the net pension liability.

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ <u>2,691,554</u>	\$ <u>1,739,108</u>	\$ <u>931,242</u>

#### 8. Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At August 31, 2017, the District reported a liability of \$1,739,108 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 1,739,108
State's proportionate share that is associated with District	<u>3,353,697</u>
Total	\$ <u>5,092,805</u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 through August 31, 2016.

At August 31, 2016, the employer's proportion of the collective net pension liability was 0.0046022%, which was a decrease of 0.0005205% from its proportion measured as of August 31, 2015.

**Changes Since the Prior Actuarial Valuation** - There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended August 31, 2017, the District recognized pension expense of \$348,034 and revenue of \$348,034 for support provided by the State.

## BRAZOS INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

At August 31, 2017, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 27,269	\$ 51,929
Changes in actuarial assumptions	53,005	48,206
Difference between projected and actual investment earnings	147,265	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	324,999	84,926
Contributions paid to TRS subsequent to the measurement date	147,416	--
Total	<u>\$ 699,954</u>	<u>\$ 185,061</u>

The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31	Pension Expense
2018	\$ 65,221
2019	65,221
2020	159,153
2021	58,002
2022	29,261
Thereafter	(9,381)
Total	<u>\$ 367,477</u>

#### J. Retiree Health Care Plans

##### 1. TRS-Care

###### a. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS web site at [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS Publications heading; by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701; or by calling the TRS Communications Department at 1-800-223-8778.

## **BRAZOS INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017**

#### **b. Funding Policy**

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal years 2017, 2016, and 2015. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017, 2016, and 2015. For the years ended August 31, 2017, 2016, and 2015, the State's contributions to TRS-Care were \$3,343, \$3,337, and \$3,249, respectively; the active member contributions were \$32,976, \$32,685, and \$31,676, respectively; and the District's contributions were \$27,903, \$27,657, and \$26,803, respectively; which equaled the required contributions each year.

#### **2. Medicare Part D Subsidies**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2017, 2016, and 2015, the subsidy payments received by TRS-Care on behalf of the District were \$15,269, \$20,193, and \$19,631, respectively.

#### **K. Employee Health Care Coverage**

During the year ended August 31, 2017, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable September 1, 2017, and terms of coverage and premium costs are included in the contractual provisions.

#### **L. Unemployment Compensation Pool**

During the year ended August 31, 2017, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperative Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the Unemployment Compensation Pool. For the year ended August 31, 2017, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2016 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.



## **BRAZOS INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2017**

#### **M. Workers' Compensation**

During the year ended August 31, 2017, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperative Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop-loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2016, the Fund carries a discounted reserve of \$51,843,324 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2017, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2016 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

#### **N. Commitments and Contingencies**

##### **1. Contingencies**

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

##### **2. Litigation**

No reportable litigation was pending against the District at August 31, 2017.

#### **O. Shared Services Arrangements**

The District participates in a shared services arrangement (SSA) for resource education services with Bellville Independent School District. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Bellville Independent School District, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for part of the financial activities of the SSA.

(This page intentionally left blank)

### *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

# BRAZOS INDEPENDENT SCHOOL DISTRICT

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with
		Budgeted Amounts		Actual	Final Budget Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 2,588,430	\$ 2,667,275	\$ 2,886,269	\$ 218,994
5800	State Program Revenues	4,824,268	4,825,931	4,549,552	(276,379)
5900	Federal Program Revenues	195,000	195,000	283,527	88,527
5020	Total Revenues	7,607,698	7,688,206	7,719,348	31,142
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	Instruction	4,233,998	4,270,714	4,059,288	211,426
0012	Instructional Resources and Media Services	76,545	82,545	82,221	324
0013	Curriculum and Staff Development	15,250	15,250	6,519	8,731
	Total Instruction & Instr. Related Services	4,325,793	4,368,509	4,148,028	220,481
	Instructional and School Leadership:				
0021	Instructional Leadership	157,868	164,868	164,531	337
0023	School Leadership	648,598	676,045	675,414	631
	Total Instructional & School Leadership	806,466	840,913	839,945	968
	Support Services - Student (Pupil):				
0031	Guidance, Counseling, and Evaluation Services	208,470	208,970	208,439	531
0033	Health Services	84,437	84,437	78,754	5,683
0034	Student (Pupil) Transportation	405,619	405,619	361,446	44,173
0036	Cocurricular/Extracurricular Activities	399,348	399,348	382,935	16,413
	Total Support Services - Student (Pupil)	1,097,874	1,098,374	1,031,574	66,800
	Administrative Support Services:				
0041	General Administration	469,671	470,671	469,856	815
	Total Administrative Support Services	469,671	470,671	469,856	815
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	1,080,849	1,204,594	1,122,733	81,861
	Total Support Services - Nonstudent Based	1,080,849	1,204,594	1,122,733	81,861
	Debt Service:				
0071	Principal on Long-Term Debt	72,752	63,423	63,423	--
0072	Interest on Long-Term Debt	--	9,329	9,328	1
	Total Debt Service	72,752	72,752	72,751	1
0099	Other Intergovernmental Charges	22,486	22,486	--	22,486
	Total Intergovernmental Charges	22,486	22,486	--	22,486
6030	Total Expenditures	7,875,891	8,078,299	7,684,887	393,412
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(268,193)	(390,093)	34,461	424,554

**BRAZOS INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2017

**EXHIBIT G-1**

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	Other Financing Sources (Uses):				
7912	Sale of Real or Personal Property	\$ --	\$ --	\$ 3,015	\$ 3,015
8911	Transfers Out	(142,070)	(142,070)	(49,072)	92,998
7080	Total Other Financing Sources and (Uses)	(142,070)	(142,070)	(46,057)	96,013
1200	Net Change in Fund Balance	(410,263)	(532,163)	(11,596)	520,567
0100	Fund Balance - Beginning	2,061,470	2,061,470	2,061,470	--
3000	Fund Balance - Ending	\$ 1,651,207	\$ 1,529,307	\$ 2,049,874	\$ 520,567

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

(This page intentionally left blank)

**BRAZOS INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY

TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)

For the Year Ended August 31, 2017

	Measurement Year*		
	2016	2015	2014
District's proportion of the net pension liability (asset)	0.0046022%	0.0051227%	0.0034091%
District's proportionate share of the net pension liability (asset)	\$ 1,739,108	\$ 1,810,806	\$ 910,618
State's proportionate share of the net pension liability (asset) associated with the District	3,353,697	3,100,612	3,010,477
Total	<u>\$ 5,092,805</u>	<u>\$ 4,911,418</u>	<u>\$ 3,921,095</u>
District's covered employee payroll**	\$ 5,028,464	\$ 5,267,393	\$ 5,570,206
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	34.59%	34.38%	16.35%
Plan fiduciary net position as a percentage of the total pension liability	78.00%	78.43%	83.25%

\* Only three years' worth of information is currently available.

\*\* As of the measurement date.

**Notes to Required Supplementary Information:**

## Changes in Assumptions

There were no changes in assumptions or other inputs that affected measurement of the total net pension liability since the prior measurement period.

## Changes in Benefits

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

**BRAZOS INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)**  
For the Year Ended August 31, 2017

	Fiscal Year				
	2017	2016	2015	2014	2013
Contractually required contribution	\$ 147,416	\$ 146,224	\$ 101,625	\$ 69,567	\$ 71,200
Contributions in relation to the contractually required contribution	147,416	146,224	101,625	69,567	71,200
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered employee payroll	\$ 5,073,245	\$ 5,028,464	\$ 5,267,393	\$ 5,570,206	\$ 5,320,891
Contributions as a percentage of covered employee payroll	2.91%	2.91%	1.93%	1.25%	1.34%



EXHIBIT G-3

Fiscal Year				
2012	2011	2010	2009	2008
\$ 39,543	\$ 49,388	\$ 45,882	\$ 51,157	\$ 60,764
39,543	49,388	45,882	51,157	60,764
\$ --	\$ --	\$ --	\$ --	\$ --
\$ 5,003,776	\$ 5,235,377	\$ 5,213,996	\$ 5,149,599	\$ 5,283,653
0.79%	0.94%	0.88%	0.99%	1.15%

(This page intentionally left blank)

*Combining Statements  
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

**BRAZOS INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
AUGUST 31, 2017

Data Control Codes	211 ESEA Title I Improving Basic Programs	212 ESEA Title I, Part C Migrant Children	224 IDEA-B Formula	225 IDEA-B Preschool Grant
<b>ASSETS:</b>				
1110 Cash and Cash Equivalents	\$ --	\$ --	\$ --	\$ --
1240 Due from Other Governments	5,856	--	1,957	233
1000 Total Assets	<u>\$ 5,856</u>	<u>\$ --</u>	<u>\$ 1,957</u>	<u>\$ 233</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110 Accounts Payable	\$ 5,591	\$ --	\$ --	\$ --
2160 Accrued Wages Payable	234	--	1,713	209
2200 Accrued Expenditures	31	--	244	24
2300 Unearned Revenue	--	--	--	--
2000 Total Liabilities	<u>5,856</u>	<u>--</u>	<u>1,957</u>	<u>233</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	--	--	--	--
3490 Other Restrictions of Fund Balance	--	--	--	--
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ 5,856</u>	<u>\$ --</u>	<u>\$ 1,957</u>	<u>\$ 233</u>

226 IDEA-B Discretionary	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	429 Mathematics Achievement
\$ --	\$ 36,594	\$ --	\$ --	\$ --
--	--	--	--	1,750
\$ --	\$ 36,594	\$ --	\$ --	\$ 1,750
\$ --	\$ 8,172	\$ --	\$ --	\$ --
--	1,002	--	--	--
--	46	--	--	--
--	--	--	--	--
--	9,220	--	--	--
--	27,374	--	--	--
--	--	--	--	1,750
--	27,374	--	--	1,750
\$ --	\$ 36,594	\$ --	\$ --	\$ 1,750

(This page intentionally left blank)

**BRAZOS INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 AUGUST 31, 2017

Data Control Codes	461 Campus Activity	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
<b>ASSETS:</b>		
1110 Cash and Cash Equivalents	\$ 36,751	\$ 73,345
1240 Due from Other Governments	--	9,796
1000 Total Assets	<u>\$ 36,751</u>	<u>\$ 83,141</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2110 Accounts Payable	\$ --	\$ 13,763
2160 Accrued Wages Payable	--	3,158
2200 Accrued Expenditures	--	345
2300 Unearned Revenue	--	--
2000 Total Liabilities	<u>--</u>	<u>17,266</u>
<b>FUND BALANCES:</b>		
Restricted Fund Balances:		
3450 Federal/State Funds Grant Restrictions	--	27,374
3490 Other Restrictions of Fund Balance	<u>36,751</u>	<u>38,501</u>
3000 Total Fund Balances	<u>36,751</u>	<u>65,875</u>
4000 Total Liabilities and Fund Balances	<u>\$ 36,751</u>	<u>\$ 83,141</u>

# **BRAZOS INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	211 ESEA Title I Improving Basic Programs	212 ESEA Title I, Part C Migrant Children	224 IDEA-B Formula	225 IDEA-B Preschool Grant
<b>REVENUES:</b>				
5700 Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ --
5800 State Program Revenues	--	--	--	--
5900 Federal Program Revenues	150,189	926	176,310	9,319
5020 Total Revenues	150,189	926	176,310	9,319
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	150,189	926	174,810	9,319
0023 School Leadership	--	--	--	--
0031 Guidance, Counseling, & Evaluation Services	--	--	1,500	--
0035 Food Service	--	--	--	--
0036 Cocurricular/Extracurricular Activities	--	--	--	--
6030 Total Expenditures	150,189	926	176,310	9,319
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	--	--	--	--
Other Financing Sources and (Uses):				
7915 Transfers In	--	--	--	--
7080 Total Other Financing Sources and (Uses)	--	--	--	--
1200 Net Change in Fund Balances	--	--	--	--
0100 Fund Balances - Beginning	--	--	--	--
3000 Fund Balances - Ending	\$ --	\$ --	\$ --	\$ --



226 IDEA-B Discretionary	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	429 Mathematics Achievement
\$ --	\$ 175,410	\$ --	\$ --	\$ --
--	15,383	--	--	2,100
44,685	348,357	26,947	2,791	--
<u>44,685</u>	<u>539,150</u>	<u>26,947</u>	<u>2,791</u>	<u>2,100</u>
44,685	--	25,567	2,791	350
--	--	1,380	--	--
--	--	--	--	--
--	565,538	--	--	--
--	--	--	--	--
<u>44,685</u>	<u>565,538</u>	<u>26,947</u>	<u>2,791</u>	<u>350</u>
--	(26,388)	--	--	1,750
--	49,072	--	--	--
--	49,072	--	--	--
--	22,684	--	--	1,750
--	4,690	--	--	--
<u>\$ --</u>	<u>\$ 27,374</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,750</u>

(This page intentionally left blank)

**BRAZOS INDEPENDENT SCHOOL DISTRICT**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	461	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
	Campus Activity	
<b>REVENUES:</b>		
5700 Local and Intermediate Sources	\$ 30,196	\$ 205,606
5800 State Program Revenues	--	17,483
5900 Federal Program Revenues	--	759,524
5020 Total Revenues	<u>30,196</u>	<u>982,613</u>
<b>EXPENDITURES:</b>		
Current:		
0011 Instruction	--	408,637
0023 School Leadership	--	1,380
0031 Guidance, Counseling, & Evaluation Services	--	1,500
0035 Food Service	--	565,538
0036 Cocurricular/Extracurricular Activities	<u>33,631</u>	<u>33,631</u>
6030 Total Expenditures	<u>33,631</u>	<u>1,010,686</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>(3,435)</u>	<u>(28,073)</u>
Other Financing Sources and (Uses):		
7915 Transfers In	--	49,072
7080 Total Other Financing Sources and (Uses)	--	49,072
1200 Net Change in Fund Balances	<u>(3,435)</u>	<u>20,999</u>
0100 Fund Balances - Beginning	<u>40,186</u>	<u>44,876</u>
3000 Fund Balances - Ending	<u>\$ 36,751</u>	<u>\$ 65,875</u>

(This page intentionally left blank)

### *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

**BRAZOS INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2017

Year Ended August 31	1	2	3
	Tax Rates		Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service	
2008 and Prior Years	Various	Various	Various
2009	\$ 1.04	\$ .3100	\$ 357,864,591
2010	\$ 1.04	\$ .3280	\$ 316,466,214
2011	\$ 1.04	\$ .3551	\$ 317,655,077
2012	\$ 1.04	\$ .3929	\$ 290,674,947
2013	\$ 1.04	\$ .3611	\$ 309,925,275
2014	\$ 1.04	\$ .3596	\$ 318,158,571
2015	\$ 1.04	\$ .3817	\$ 302,619,387
2016	\$ 1.04	\$ .3841	\$ 280,225,162
2017 (School Year Under Audit)	\$ 1.04	\$ .4598	\$ 255,795,327

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

EXHIBIT J-1

10 Beginning Balance 9/1/16	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/17
\$ 83,819	\$ --	\$ 2,514	\$ 754	\$ (1,900)	\$ 78,651
18,680	--	792	137	(173)	17,578
21,745	--	1,847	550	1,645	20,993
20,505	--	2,649	835	1,473	18,494
21,280	--	3,810	1,301	1,360	17,529
32,189	--	5,952	2,248	274	24,263
36,399	--	7,389	2,555	(1,584)	24,871
64,133	--	8,648	3,174	(10,909)	41,402
196,280	--	65,942	27,300	(48,732)	54,306
--	3,836,418	2,567,383	1,135,079	--	133,956
<u>\$ 495,030</u>	<u>\$ 3,836,418</u>	<u>\$ 2,666,926</u>	<u>\$ 1,173,933</u>	<u>\$ (58,546)</u>	<u>\$ 432,043</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

(This page intentionally left blank)



**BRAZOS INDEPENDENT SCHOOL DISTRICT**

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2017

**EXHIBIT J-2**

Data Control Codes	1		2	3	Variance with Final Budget Positive (Negative)	
	Budgeted Amounts		Actual			
	Original	Final				
REVENUES:						
5700	Local and Intermediate Sources		\$ 145,600	\$ 145,600	\$ 175,410	\$ 29,810
5800	State Program Revenues		16,707	16,707	15,383	(1,324)
5900	Federal Program Revenues		280,009	280,009	348,357	68,348
5020	Total Revenues		442,316	442,316	539,150	96,834
EXPENDITURES:						
Current:						
Support Services - Student (Pupil):						
0035	Food Services		584,386	584,386	565,538	18,848
	Total Support Services - Student (Pupil)		584,386	584,386	565,538	18,848
6030	Total Expenditures		584,386	584,386	565,538	18,848
1100	Excess (Deficiency) of Revenues Over (Under)					
1100	Expenditures		(142,070)	(142,070)	(26,388)	115,682
Other Financing Sources (Uses):						
7915	Transfers In		142,070	142,070	49,072	(92,998)
7080	Total Other Financing Sources and (Uses)		142,070	142,070	49,072	(92,998)
1200	Net Change in Fund Balance		--	--	22,684	22,684
0100	Fund Balance - Beginning		4,690	4,690	4,690	--
3000	Fund Balance - Ending		\$ 4,690	\$ 4,690	\$ 27,374	\$ 22,684

(This page intentionally left blank)

# BRAZOS INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	1		2		3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts					
	Original	Final	Actual			
REVENUES:						
5700	Local and Intermediate Sources		\$ 1,106,126	\$ 1,115,110	\$ 1,195,496	\$ 80,386
5800	State Program Revenues		--	--	32,805	32,805
5020	Total Revenues		1,106,126	1,115,110	1,228,301	113,191
EXPENDITURES:						
Debt Service:						
0071	Principal on Long-Term Debt		1,106,877	615,000	615,000	--
0072	Interest on Long-Term Debt		--	488,127	449,856	38,271
0073	Bond Issuance Costs and Fees		--	109,381	108,181	1,200
0073	Payments to Escrow Agent		--	3,459,334	3,459,334	--
	Total Debt Service		1,106,877	4,671,842	4,632,371	39,471
6030	Total Expenditures		1,106,877	4,671,842	4,632,371	39,471
1100	Excess (Deficiency) of Revenues Over (Under)					
1100	Expenditures		(751)	(3,556,732)	(3,404,070)	152,662
	Other Financing Sources (Uses):					
7911	Capital-Related Debt Issued (Regular Bonds)		--	3,205,000	3,205,000	--
7916	Premium or Discount on Issuance of Bonds		--	363,693	363,693	--
7080	Total Other Financing Sources and (Uses)		--	3,568,693	3,568,693	--
1200	Net Change in Fund Balance		(751)	11,961	164,623	152,662
0100	Fund Balance - Beginning		424,049	424,049	424,049	--
3000	Fund Balance - Ending		\$ 423,298	\$ 436,011	\$ 588,672	\$ 152,661

(This page intentionally left blank)

Federal Awards and  
Other Compliance Section

(This page intentionally left blank)



**Independent Auditors' Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance With *Government Auditing Standards***

To the Board of Trustees of  
Brazos Independent School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brazos Independent School District (the "District"), as of and for the year ended August 31, 2017, and the related notes to the financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 30, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

 BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP  
*Certified Public Accountants*  
Houston, Texas  
January 30, 2018





## **Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Trustees of  
Brazos Independent School District:

### **Report on Compliance for Each Major Federal Program**

We have audited Brazos Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2017. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

## Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

## Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Brazos Independent School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

 BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP  
Certified Public Accountants  
Houston, Texas  
January 30, 2018

**BRAZOS INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**A. Summary of Auditors' Results**

**1. Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?        Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None Reported

Noncompliance material to financial statements noted?        Yes   X   No

**2. Federal Awards**

Internal control over major programs:

One or more material weaknesses identified?        Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None Reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?        Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A- Improving Basic Program
84.367	Title II, Part A- Teacher & Principal Training & Recruiting

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?   X   Yes        No

**B. Financial Statement Findings**

None

**C. Federal Award Findings and Questioned Costs**

None

(This page intentionally left blank)

**BRAZOS INDEPENDENT SCHOOL DISTRICT**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2017

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None to report.		

(This page intentionally left blank)

**BRAZOS INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**EXHIBIT K-1**

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
<b>CHILD NUTRITION CLUSTER:</b>			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	71401701	\$ 79,099
National School Lunch Program	10.555	71301701	235,642
Total Passed Through State Department of Education			314,741
Total U. S. Department of Agriculture			314,741
Total Child Nutrition Cluster			314,741
<b>FOOD DISTRIBUTION CLUSTER:</b>			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
Commodity Supplemental Food Program (Non-cash)	10.565	00028	33,616
Total Passed Through State Department of Education			33,616
Total U. S. Department of Agriculture			33,616
Total Food Distribution Cluster			33,616
<b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
IDEA-B Discretionary	84.027	176600060089036000	44,685
IDEA-B Formula	84.027	176600010089036000	176,310
Total CFDA Number 84.027			220,995
IDEA-B Preschool	84.173	176610010089036000	9,319
Total Passed Through State Department of Education			230,314
Total U. S. Department of Education			230,314
Total Special Education (IDEA) Cluster			230,314
<b>OTHER PROGRAMS:</b>			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010	17610101008903	150,189
ESEA Title I Part C - Education of Migratory Children	84.011	008-903	926
Title III Part A English Language Acquisition and Language Enhancement	84.365	17671001008903	2,791
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367	17694501008903	26,947
Total Passed Through State Department of Education			180,853
Total U. S. Department of Education			180,853
<u>Federal Communications Commission</u>			
Passed Through State Department of Education:			
Universal E-Rate	32.000	008-903	45,547
Total Passed Through State Department of Education			45,547
Total Federal Communications Commission			45,547
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 805,071
Federal revenue per SEFA			\$ 805,071
SHARs			237,980
Federal revenue per Exhibit C-2			\$ 1,043,051

The accompanying notes are an integral part of this schedule.





## **BRAZOS INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2017**

#### Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Brazos Independent School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

#### Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Brazos Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(This page intentionally left blank)

**BRAZOS INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2017

Data Control Codes	Responses
SF2 Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4 Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5 Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6 Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7 Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8 Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10 What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ 919,587
SF11 Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12 Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 1,739,108

