

**BRAZOSPORT  
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
AUGUST 31, 2015**

**KENNEMER, MASTERS & LUNSFORD, LLC  
CERTIFIED PUBLIC ACCOUNTANTS  
8 WEST WAY COURT  
LAKE JACKSON, TEXAS 77566**

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# BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report  
For the Year Ended August 31, 2015*

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**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**

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The Following Exhibits Were Not Applicable to the Brazosport Independent School District:

Combining Statement for Major Component Units:

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## **INTRODUCTORY SECTION**

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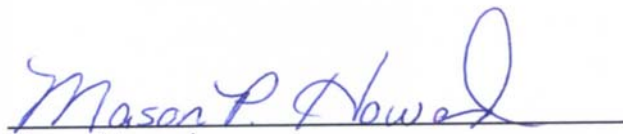
**CERTIFICATE OF BOARD**


Brazosport Independent School District  
Name of School District

Brazoria  
County

020-905  
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, 2015, at a meeting of the board of trustees of such school district on the 19th day of January, 2016.

  
Mason Howard  
Signature of Board Secretary

  
Ron Damian  
Signature of Board President

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are) (attach list if necessary):

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## **FINANCIAL SECTION**

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# Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

**Lake Jackson Office:**  
8 West Way Court  
Lake Jackson, Texas 77566  
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Houston, Texas 77042  
281-974-3416

## Independent Auditor's Report

To the Board of Trustees  
Brazosport Independent School District  
Freeport, Texas 77542

### **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 the Brazosport Independent School District (the "District") as of and for the year ended August 31, 2015, 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.

#### ***Auditor's 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 auditor's 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 entity'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 entity'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.

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### ***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 Brazosport Independent School District, as of August 31, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 2 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15-25, budgetary comparison information on page 80, and the pension schedules on pages 81-82 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 and the required Texas Education Agency schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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, except for that portion marked "unaudited" on which we express no opinion, 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 required Texas Education Agency schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has 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 it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015, on our consideration of the 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.

*Kennemer, Masters & Hunford, LLC*

Lake Jackson, Texas  
December 16, 2015

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# **BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**

## *MANAGEMENT'S DISCUSSION AND ANALYSIS*

*AUGUST 31, 2015*

As management of the Brazosport Independent School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2015. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

### **Financial Highlights**

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent period by \$ 49,548,285 (*net position*). Of this amount, \$ 7,272,035 (*unrestricted net position*) may be used to meet the District's ongoing obligations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 105,534,673. Approximately 20 percent of this total amount, \$ 21,124,374, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 21,124,374, or 22 percent of the total general fund expenditures.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between these reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no *business-type activities* and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 26 through 29 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole.

# BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2015

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District maintains twenty-four (24) governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other twenty-one (21) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund, food service special revenue fund, and debt service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 30 through 34 of this report.
- **Proprietary funds.** *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. As mentioned above in the government-wide definition, the District has no *business-type activities* or *enterprise funds*. The second type of proprietary fund is the *internal service fund*. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the *internal service fund* to report activities for its self-funded dental and workers' compensation insurance programs. The basic proprietary fund financial statements can be found on pages 35 through 37 of this report.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets 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 that can be found on pages 38 through 39. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.



# BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2015

**Notes to the financial statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 42 through 78 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 80 through 82 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements can be found on pages 84 through 94 of this report.

### Government-wide Financial Analysis

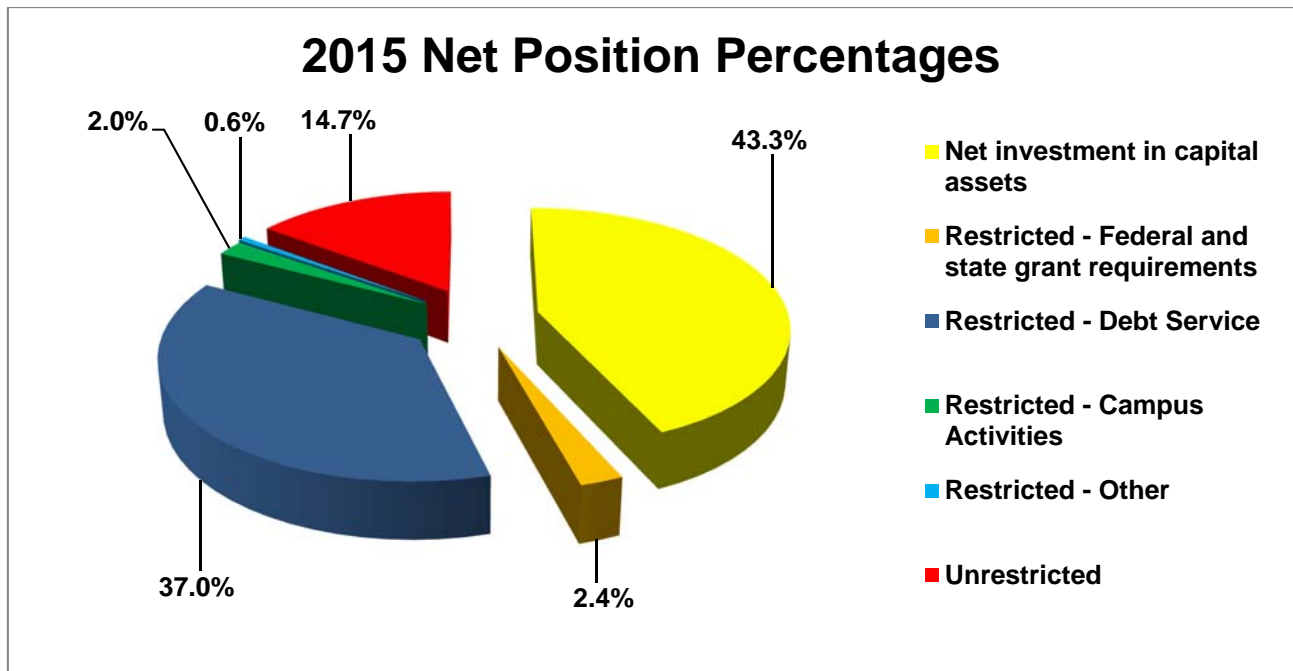
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 49,548,285 as of August 31, 2015. Net position of the District's governmental activities increased by \$ 2,915,198, from \$ 46,633,087 to \$ 49,548,285.

With the implementation of GASB Statements Nos. 68 and 71, comparable information for the year ended August 31, 2014 is not available, therefore, only one year is presented. Beginning with the August 31, 2016 financial statements, comparative information will resume.

### The District's Net Position

	<u>2015</u>
Current and other assets	\$ 116,861,461
Capital assets	<u>149,369,686</u>
Total assets	<u>266,231,147</u>
Deferred outflows of resources	<u>3,158,736</u>
Total deferred outflows of resources	<u>3,158,736</u>
Long-term liabilities outstanding	208,449,569
Other liabilities	<u>8,431,631</u>
Total liabilities	<u>216,881,200</u>
Deferred inflows of resources	<u>2,960,398</u>
Total deferred inflows of resources	<u>2,960,398</u>
Net Position:	
Net investment in capital assets	21,521,515
Restricted	20,754,735
Unrestricted	<u>7,272,035</u>
Total net position	<u>\$ 49,548,285</u>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 AUGUST 31, 2015



Investment in capital assets (e.g., land and land improvements, buildings and improvements, furniture, equipment and vehicles, and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$ 21,521,515. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, \$ 20,754,735 approximately 42 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$ 7,272,035 may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are less than currently available resources.

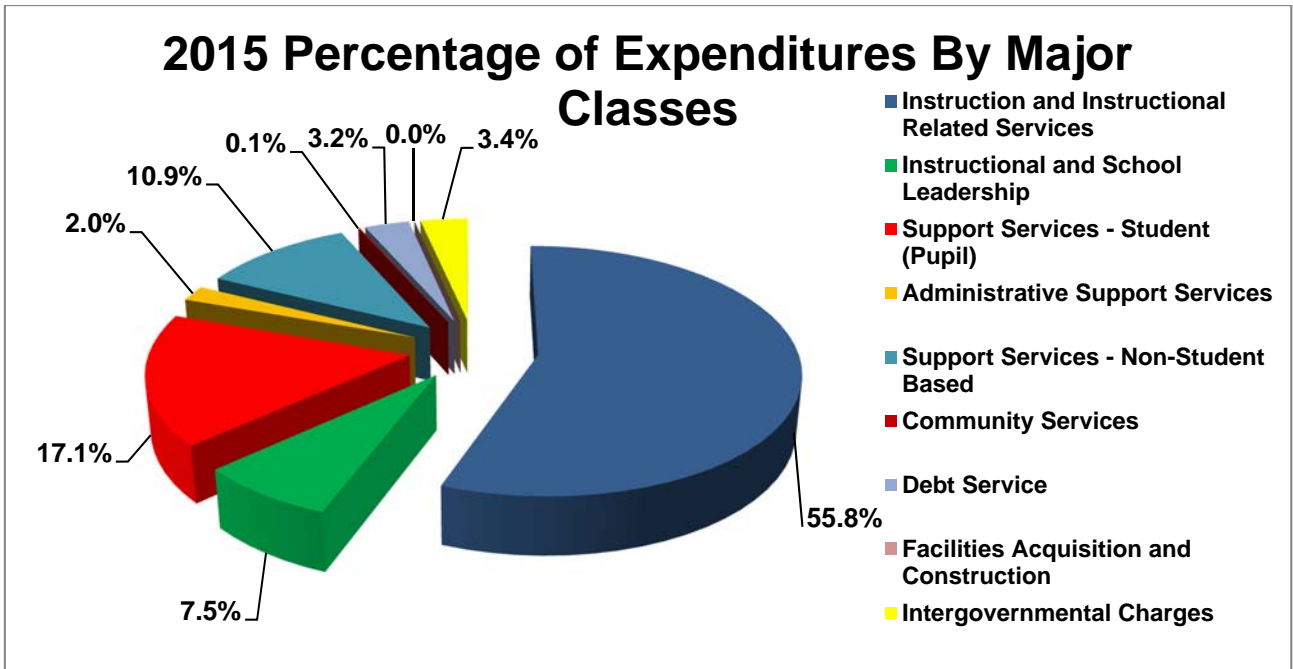
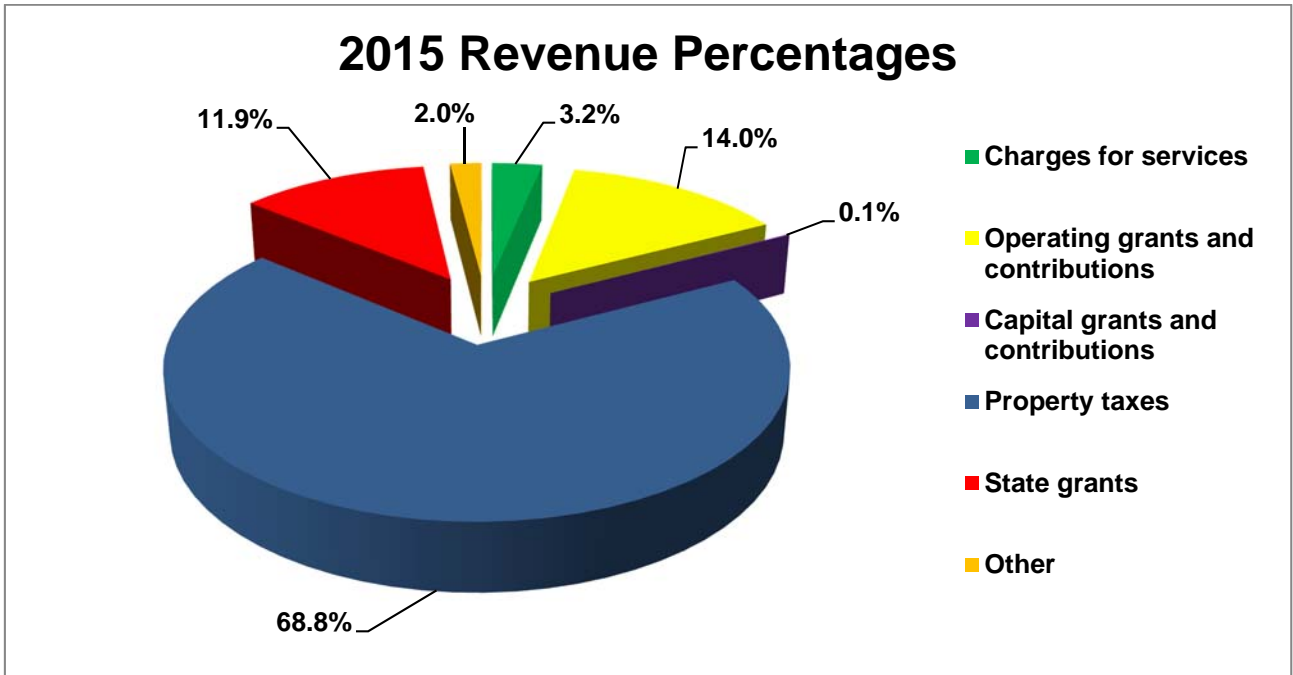
**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT***MANAGEMENT'S DISCUSSION AND ANALYSIS*

AUGUST 31, 2015

**Governmental activities.** The District's total net position increased \$ 2,915,198. The total cost of all *governmental activities* this year was \$ 120,033,301. The amount that our taxpayers paid for these activities through property taxes was \$ 84,730,619 or 71 percent.

**Changes in the District's Net Position**

	<u>2015</u>
Revenues:	
Program Revenues:	
Charges for services	\$ 3,940,201
Operating grants & contributions	17,176,872
Capital grants & contributions	14,010
General Revenues:	
Property taxes	84,730,619
State grants	14,684,866
Other	<u>2,401,931</u>
Total revenues	<u>122,948,499</u>
Expenses:	
Instruction	62,983,953
Instructional resources & media services	1,773,070
Curriculum & staff development	2,116,241
Instructional leadership	2,351,619
School leadership	6,689,360
Guidance, counseling & evaluation services	4,174,921
Social work services	199,316
Health services	1,250,529
Student transportation	2,666,684
Food service	7,132,836
Extracurricular activities	5,098,696
General administration	2,449,324
Plant maintenance and operations	10,465,123
Security and monitoring services	794,180
Data processing services	1,860,986
Community services	64,358
Debt service-interest and fees long-term debt	3,823,686
Contracted instructional services between public schools	1,320,033
Payments related to shared services arrangements	2,222,493
Other governmental	<u>595,893</u>
Total expenses	<u>120,033,301</u>
Increase in net position	2,915,198
Beginning net position (restated)	<u>46,633,087</u>
Ending net position	<u>\$ 49,548,285</u>



# BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2015

### Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

**Governmental funds.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 105,534,673, an increase of \$ 48,355,340. Approximately 20 percent of this total amount \$ 21,124,374 constitutes *unassigned fund balance*. The remainder of fund balance is *non-spendable, restricted, committed* or *assigned* to indicate that it is not available for new spending because it has already been classified 1) for inventory \$ 300,778, 2) for prepaid items \$ 1,128,783, 3) for federal and state grant restrictions \$ 1,095,263, 4) for capital acquisitions and contractual obligations \$ 56,544,429, 5) to pay debt service \$ 18,325,703, 6) other restricted \$ 1,265,343, 7) claims and judgments \$ 250,000, 8) capital expenditures for equipment \$ 500,000, and 9) other assigned \$ 5,000,000.

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 21,124,374, while the total fund balance was \$ 30,287,726. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 22 percent of the total general fund expenditures, while total fund balance represents 32 percent of that same amount.

The fund balance of the District's general fund decreased \$ 3,380,886 during the current fiscal year. Key factors related to this change are as follows:

- Budgeted deficit due to the increase in property tax value was roughly \$ 400,000,000 lower than anticipated due to a delay in start-up of a new plant from December 2013 to January 2014.
- Numerous functional expenditures were less than amounts originally budgeted, primarily due to
  - Reduced payroll costs due to budgeting at midpoint and unfilled vacancies, along with turnover of employees resulting in a lower experienced workforce occurring throughout the year.
  - Debt service reserve that was budgeted as an expenditure.
  - Lower property insurance costs.
  - Lower fuel and repair costs for transportation
  - No disciplinary alternative education placements (JJAEP).

The debt service fund has a total fund balance of \$ 16,265,703, all of which is restricted for the payment of debt service. The net increase in fund balance during the period in the debt service fund was \$ 1,221,661. Following are factors contributing to this change:

## **BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**

### *MANAGEMENT'S DISCUSSION AND ANALYSIS*

*AUGUST 31, 2015*

- The District currently has two QZAB bonds outstanding, which require annual payments totaling \$ 779,580 to be made into a sinking fund. Funding necessary to make the payments is received from property tax collections. Tax collections are recorded as revenues, which increase fund balance, however, payments into the sinking fund are not considered expenditures until the bonds mature.

The capital projects fund has a total fund balance of \$ 56,544,429, all of which is restricted for the acquisition of capital contractual obligations. The net increase in fund balance during the period in the capital projects fund was \$ 50,605,401. Following are factors contributing to this change:

- Proceeds from authorized 2012 and 2014 Bonds sales in the amount of \$59,250,000.
- Planned expenditures associated with the 2012 and 2014 Bond programs.

***Proprietary funds.*** As mentioned earlier, the District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at August 31, 2015 amounted to \$ 2,330,817. The total increase in net position was \$ 193,820.

### **General Fund Budgetary Highlights**

The District made the following amendments to budgeted revenue.

- \$ 2,016,000 increase to reflect stronger than anticipated tax collections
- \$ 420,000 increase for scoreboard advertisement
- \$ 7,754 increase for a donation received from Altus for Athletics
- \$ 499 increase for a fitnessgram award

Following is a summary of amendments made to appropriations:

- \$ 997,962 increase for a one-time operational efficiency supplement.
- \$ 228,085 increase for prior year carryover purchase orders
- \$136,780 increase for electrical and storm damage repairs
- \$ 2,016,000 increase for additional budgeted for contingencies
- \$ 420,000 increase to purchase scoreboard for Hopper Field
- \$130,000 for transfers in from capital projects for 2014 long range facility planning expenditures that were previously funded with general fund.
- \$70,610 for transfer in from BISD Education Foundation, a blended component unit.

This positive variance in expenditures is the result of lower than expected payroll and related costs, overestimates of TRS On-Behalf Payments and lower than anticipated fuel, utilities, insurance costs.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS*  
 AUGUST 31, 2015

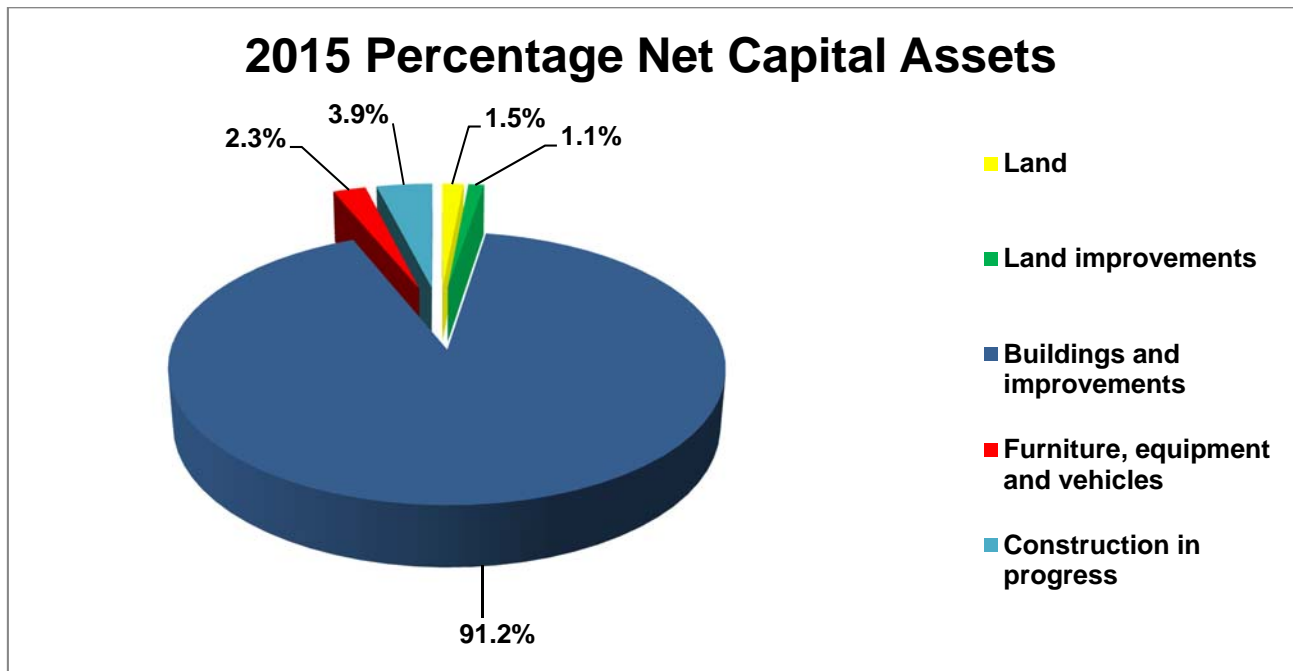
**Capital Asset and Debt Administration**

**Capital assets.** The District's investments in capital assets for its governmental activities as of August 31, 2015 amounts to \$ 149,369,686 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and building improvements, furniture, equipment and vehicles, and construction in progress.

**District's Capital Assets  
 (net of depreciation)**

	<u>2015</u>
Land	\$ 2,260,973
Land improvements	1,665,218
Buildings and improvements	136,139,308
Furniture, equipment and vehicles	3,406,965
Construction in progress	<u>5,897,222</u>
 Total at historical cost	 \$ <u>149,369,686</u>

Additional information on the District's capital assets can be found in Note 6 on pages 62 through 63 of this report.

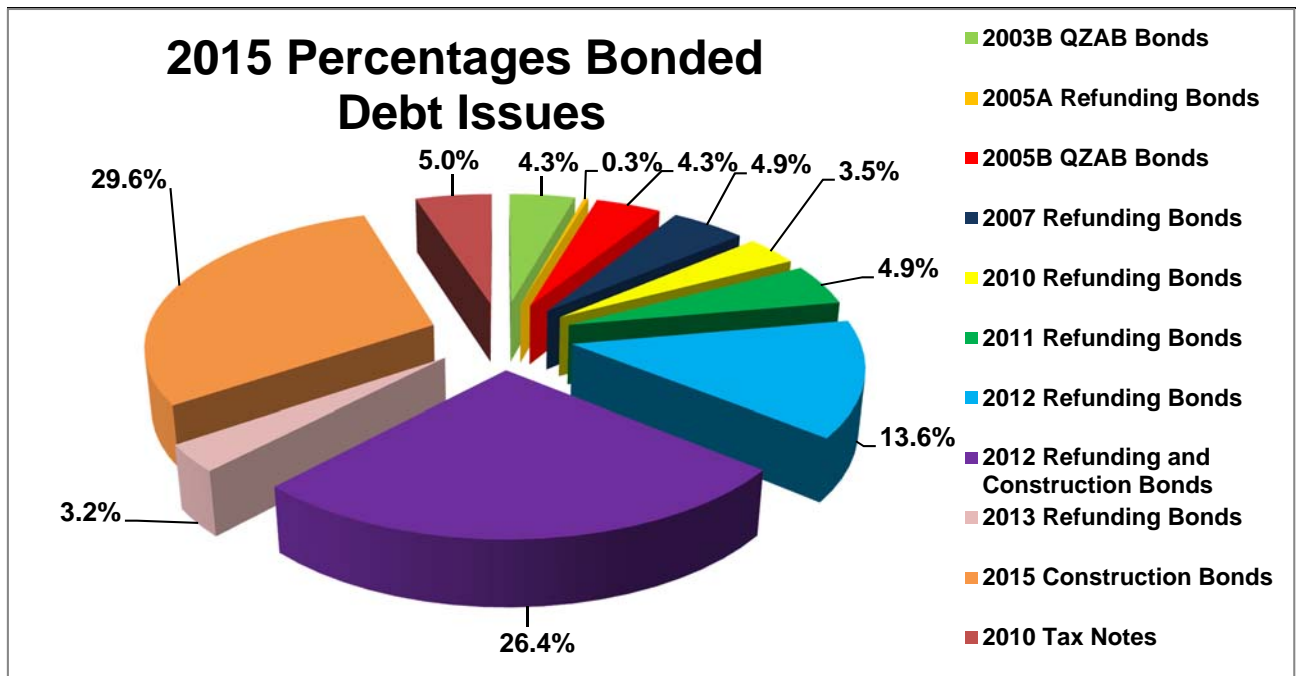


**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS*  
 AUGUST 31, 2015

**Long-term debt.** At August 31, 2015, the District had total long-term debt outstanding of \$ 208,449,569. Long-term debt is made of general obligation bonds of \$ 175,799,325, tax notes of \$ 9,330,000, net pension obligation of \$ 13,421,028, capital leases of \$ 126,430, premium received on general obligation bonds of \$ 9,542,653, and accrued interest of \$ 230,133.

**District's Long-Term Debt:**

	<u>2015</u>
General obligations bonds	\$ 175,799,325
Tax notes	9,330,000
Capital leases	126,430
Net pension obligation	13,421,028
Components of Long-Term Debt:	
Premium on general obligation bonds	9,542,653
Accrued interest payable	<u>230,133</u>
 Total long-term debt	 \$ <u>208,449,569</u>



Moody's Aaa rating on the District's bonded indebtedness is provided by a guarantee of the Texas Permanent School Fund for timely payment of principal and interest in the event the District is unable to meet debt service requirements. Moody's Aaa underlying rating is representative of the District's sizable but highly concentrated tax base, low debt levels, and modest financial reserves.

Additional information on the District's long-term debt and capital leases can be found in Notes 7 and 8 on pages 64 through 67 of this report.



## **BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**

### *MANAGEMENT'S DISCUSSION AND ANALYSIS*

*AUGUST 31, 2015*

#### **Economic Factors and Next Year's Budgets and Rates**

- Certified tax values for fiscal year 2016 increased by approximately \$ 1,078,000,000 or 15.79% from fiscal tax year 2015. This increase will generate an additional \$ 10,576,857 of revenue in the general fund and approximately \$ 2,175,723 for the debt service fund.
- A slight increase in weighted average daily attendance of 154 is budgeted to reflect actual increases for 2014-15 and anticipated growth. The attendance percentage rates are expected to remain stable at 95%.
- Based on legislative changes (84th session) and increases in weighted average daily attendance, the District anticipates increase of roughly \$ 2,190,000 of state funding for 2015-16.
- No change in the tax rate of \$ 1.2553.
- For 2015-2016, the District increased general fund expenditures by roughly \$ 7,600,000 compared to prior year through staffing formula changes, additional campus staffing supports, program offerings and compensation increases of \$2,000 for teachers, librarians and counselors and 3% for all other personnel.

These indicators were taken into account when adopting the General Fund budget for 2015-2016. The District has appropriated revenues and expenditures in the 2015-2016 budget of \$ 105,770,585 and \$ 102,270,509, respectively. Total budgeted revenues increased 15.21% from the 2014-2015 budget primarily due to changes in property tax values and collection percentage along with state funding. Total expenditures increased by 6.45% due to staffing formula changes, additional campus staffing supports, additional program offerings and compensation increases.

#### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Chief Business and Governmental Affairs Officer, Brazosport Independent School District, P.O. Drawer Z, Freeport, Texas, 77542.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**AUGUST 31, 2015**

Exhibit A-1  
Page 1 of 2

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	<b>ASSETS:</b>	
1110	Cash and cash equivalents	\$ 104,850,258
1120	Current investments	5,621,071
1220	Property taxes receivables	1,585,077
1230	Allowance for uncollectible taxes	( 870,372)
1240	Due from other governments	3,005,972
1260	Internal balances	977,249
1290	Other receivables (net)	217,085
1300	Inventories	300,778
1410	Prepaid items	1,174,343
	Capital Assets:	
1510	Land and improvements (net)	3,926,191
1520	Building and improvements (net)	136,139,308
1530	Furniture, equipment and vehicles (net)	3,406,965
1580	Construction in progress	<u>5,897,222</u>
1000	Total assets	<u>266,231,147</u>
	<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1700	Deferred outflows	<u>3,158,736</u>
	Total deferred outflows of resources	<u>3,158,736</u>
	<b>LIABILITIES:</b>	
2110	Accounts payable	2,937,610
2140	Interest payable	173,669
2150	Payroll deductions and withholdings	676,654
2160	Accrued wages payable	3,421,901
2165	Accrued liabilities	242,160
2300	Unearned revenue	979,637
	Noncurrent Liabilities:	
2501	Due within one year	13,605,721
2502	Due in more than one year	<u>194,843,848</u>
2000	Total liabilities	<u>216,881,200</u>
	<b>DEFERRED INFLOWS OF RESOURCES</b>	
2600	Deferred inflows of resources	<u>2,960,398</u>
	Total deferred inflows of resources	<u>2,960,398</u>

(continued)

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION - Continued**  
**AUGUST 31, 2015**

Exhibit A-1  
Page 2 of 2

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	NET POSITION:	
3200	Net investment in capital assets	\$ 21,521,515
	Restricted For:	
3820	Federal and state programs	1,171,472
3850	Debt service	18,317,920
3870	Campus activities	974,160
3890	Other	291,183
3900	Unrestricted	<u>7,272,035</u>
3000	Total net position	<u>\$ 49,548,285</u>

The notes to the financial statements are an integral part of this statement.

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**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2015**

Exhibit B-1  
Page 1 of 1

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
			3 Charges for Services	4 Operating Grants and Contributions	5 Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES:						
11	Instruction	\$ 62,983,953	\$ 356,795	\$ 8,034,526	\$	\$( 54,592,632)
12	Instructional resources and media services	1,773,070	7,123	66,305		( 1,699,642)
13	Curriculum and staff development	2,116,241	5,385	1,230,835		( 880,021)
21	Instructional leadership	2,351,619	8,718	300,844		( 2,042,057)
23	School leadership	6,689,360	39,630	298,070		( 6,351,660)
31	Guidance, counseling, and evaluation services	4,174,921	21,567	986,106		( 3,167,248)
32	Social work services	199,316	1,368	99,561		( 98,387)
33	Health services	1,250,529	7,521	52,485		( 1,190,523)
34	Student transportation	2,666,684	16,296	75,416		( 2,574,972)
35	Food service	7,132,836	2,089,082	4,839,621	14,010	( 190,123)
36	Extracurricular activities	5,098,696	1,315,861	79,182		( 3,703,653)
41	General administration	2,449,324	8,405	292,226		( 2,148,693)
51	Plant maintenance and operations	10,465,123	51,368	293,599		( 10,120,156)
52	Security and monitoring services	794,180	3,618	27,628		( 762,934)
53	Data processing services	1,860,986	7,464	69,629		( 1,783,893)
61	Community services	64,358		51,155		( 13,203)
72	Interest on long-term debt	3,143,918		379,684		( 2,764,234)
73	Bond issuance costs and fees	679,768				( 679,768)
91	Contracted instructional services between public schools	1,320,033				( 1,320,033)
93	Payments related to shared services arrangements	2,222,493				( 2,222,493)
99	Other intergovernmental	595,893				( 595,893)
TG	Total governmental activities	<u>\$ 120,033,301</u>	<u>\$ 3,940,201</u>	<u>\$ 17,176,872</u>	<u>\$ 14,010</u>	<u>\$( 98,902,218)</u>
General Revenues:						
Taxes:						
MT	Property taxes, levied for general purposes					\$ 69,985,085
DT	Property taxes, levied for debt service					14,745,534
SF	State aid-formula grants					14,684,866
GC	Grants and contributions not restricted to specific programs					748,689
IE	Investment earnings					467,831
MI	Miscellaneous					<u>1,185,411</u>
TG	Total general revenues, special items, and transfers					<u>101,817,416</u>
CN	Change in net position					2,915,198
NB	Net position – beginning (restated)					<u>46,633,087</u>
NE	Net position – ending					<u>\$ 49,548,285</u>

The notes to the financial statements are an integral part of this statement.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**AUGUST 31, 2015**

Exhibit C-1  
Page 1 of 2

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	98 Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>						
1110	Cash and cash equivalents	\$ 26,367,145	\$ 16,406,321	\$ 57,912,994	\$ 1,636,453	\$ 102,322,913
1120	Investments	4,979,497		498,013	143,561	5,621,071
1220	Taxes receivable	1,333,234	251,843			1,585,077
1230	Allowance for uncollectible taxes	( 740,635 )	( 129,737 )			( 870,372 )
1240	Receivables from other governments	559,311			2,446,661	3,005,972
1260	Due from other funds	4,045,414	8,410		3,928,838	7,982,662
1290	Other receivables	166,299			50,714	217,013
1300	Inventories	224,569			76,209	300,778
1410	Deferred expenditures	<u>1,128,783</u>				<u>1,128,783</u>
1000	Total assets	<u>38,063,617</u>	<u>16,536,837</u>	<u>58,411,007</u>	<u>8,282,436</u>	<u>121,293,897</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
1700	Deferred outflows of resources					-0-
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1000A	Total assets and deferred outflows of resources	<u>\$ 38,063,617</u>	<u>\$ 16,536,837</u>	<u>\$ 58,411,007</u>	<u>\$ 8,282,436</u>	<u>\$ 121,293,897</u>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
2110	Accounts payable	\$ 776,503	\$ 300	\$ 1,864,210	\$ 296,597	\$ 2,937,610
2140	Interest payable		173,669			173,669
2150	Payroll deductions and withholdings	676,654				676,654
2160	Accrued wages payable	3,100,201		2,368	319,332	3,421,901
2170	Due to other funds	1,858,313			5,147,100	7,005,413
2300	Unearned revenue	<u>897,045</u>			<u>82,592</u>	<u>979,637</u>
2000	Total liabilities	<u>7,308,716</u>	<u>173,969</u>	<u>1,866,578</u>	<u>5,845,621</u>	<u>15,194,884</u>

(continued)

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**AUGUST 31, 2015**

Exhibit C-1  
Page 2 of 2

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	98 Other Governmental Funds	Total Governmental Funds
	DEFERRED INFLOWS OF RESOURCES					
1700	Deferred inflows of resources – property taxes	\$ 467,175	\$ 97,165	\$	\$	\$ 564,340
	Total deferred inflows of resources	467,175	97,165	-0-	-0-	564,340
	Fund Balances:					
	Non-Spendable:					
3410	Inventories	224,569			76,209	300,778
3430	Prepaid items	1,128,783				1,128,783
	Restricted:					
3450	Food service				1,095,263	1,095,263
3470	Capital acquisitions and contractual obligations			56,544,429		56,544,429
3480	Debt service	2,060,000	16,265,703			18,325,703
3490	Other				1,265,343	1,265,343
	Committed:					
3520	Claims and judgments	250,000				250,000
3530	Capital expenditures for equipment	500,000				500,000
	Assigned:					
3590	Other assigned fund balance	5,000,000				5,000,000
	Unassigned:					
3600	Unassigned fund balance	21,124,374				21,124,374
3000	Total fund balances	30,287,726	16,265,703	56,544,429	2,436,815	105,534,673
4000	Total liabilities, deferred inflows of resources and fund balances	\$ 38,063,617	\$ 16,536,837	\$ 58,411,007	\$ 8,282,436	\$ 121,293,897

The notes to the financial statements are an integral part of this statement.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION**  
**AUGUST 31, 2015**

Exhibit C-1R  
Page 1 of 1

Total fund balances – governmental funds balance sheet (C-1)	\$ 105,534,673
<b>Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:</b>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 232,300,286 in assets less \$ 82,930,600 in accumulated depreciation.	149,369,686
Property taxes receivable unavailable to pay for current period expenditures are unearned in the funds. Unearned property tax revenues for the general fund and the debt service fund amounted to \$ 467,175 and \$ 97,165, respectively.	564,340
Other long-term assets are not available to pay for current year expenditures and, therefore, are not reported in the funds. This is the bond refunding costs, which is amortized over the life of the refunding bonds, or the refunded bonds, whichever is shorter. Net bond refunding costs were \$ 125,185 (bond refunding costs of \$ 155,000 less accumulated amortization of \$ 29,815).	125,185
Pension deferred outflows of resources of \$ 3,334,774 less amortization of \$ 301,223 and pension deferred inflows of resources of \$ 4,105,532 less amortization of \$ 1,145,134.	73,153
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net position. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds were \$ 9,542,653 (premium on sale of bonds of \$ 11,673,247 less amortization of \$ 2,130,594).	( 9,542,653)
The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	2,330,817
Payables for net pension obligation are not reported in the funds.	( 13,421,028)
Payables for bond principal are not reported in the funds.	( 175,799,325)
Payable for tax note principal are not reported in the funds.	( 9,330,000)
Payables for capital lease principal are not reported in the funds.	( 126,430)
Payables for bond interest are not reported in the funds	( 208,938)
Payable for tax note interest are not reported in the funds.	( 17,954)
Payables for capital lease interest are not reported in the funds.	<u>( 3,241)</u>
Net position of governmental activities – statement of net position (A-1)	<u>\$ 49,548,285</u>

The notes to the financial statements are an integral part of this statement.



**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**YEAR ENDED AUGUST 31, 2015**

Exhibit C-2  
Page 1 of 1

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>						
5700	Local and intermediate sources	\$ 71,079,977	\$ 15,140,201	\$ 357,265	\$ 3,727,687	\$ 90,305,130
5800	State program revenues	18,178,145			2,101,733	20,279,878
5900	Federal program revenues	1,692,337			10,114,398	11,806,735
5020	Total revenues	<u>90,950,459</u>	<u>15,140,201</u>	<u>357,265</u>	<u>15,943,818</u>	<u>122,391,743</u>
<b>EXPENDITURES:</b>						
Current:						
0011	Instruction	53,917,735		1,266,860	5,676,412	60,861,007
0012	Instructional resources and media services	1,504,459			8,937	1,513,396
0013	Curriculum and staff development	906,136			1,204,970	2,111,106
0021	Instructional leadership	2,138,590			214,120	2,352,710
0023	School leadership	6,554,061			17,070	6,571,131
0031	Guidance, counseling, and evaluation services	3,336,890			849,182	4,186,072
0032	Social work services	105,821			94,957	200,778
0033	Health services	1,249,184				1,249,184
0034	Student transportation	2,009,615		72,003		2,081,618
0035	Food Service			38,457	6,763,757	6,802,214
0036	Extracurricular activities	3,116,478		350,205	1,104,588	4,571,271
0041	General administration	2,395,393			54,623	2,450,016
0051	Plant maintenance and operations	10,244,691		3,003,892	15,227	13,263,810
0052	Security and monitoring services	714,665		591,255		1,305,920
0053	Data processing services	1,593,506		413,750	3,047	2,010,303
0061	Community services	11,833			52,525	64,358
0071	Principal on long-term debt	54,852	10,790,000			10,844,852
0072	Interest on long-term debt	448,396	3,120,031			3,568,427
0073	Bond issuance costs and fees		679,768			679,768
0081	Capital outlay			3,135,442		3,135,442
0091	Contracted instructional services between public schools	1,320,033				1,320,033
0093	Payments related to shared services arrangements	2,222,493				2,222,493
0099	Other intergovernmental	595,893				595,893
6030	Total expenditures	<u>94,440,724</u>	<u>14,589,799</u>	<u>8,871,864</u>	<u>16,059,415</u>	<u>133,961,802</u>
1100	Excess (deficiency) of revenues over expenditures	( 3,490,265 )	550,402	( 8,514,599 )	( 115,597 )	( 11,570,059 )
<b>OTHER FINANCING SOURCES (USES):</b>						
7911	Proceeds from bonds		671,259	54,113,741		54,785,000
7912	Sale of real and personal property	4,140				4,140
7916	Premium on bonds			5,136,259		5,136,259
7915	Operating transfers in	203,598		2,988	95,371	301,957
8911	Operating transfers out	( 98,359 )		( 132,988 )	( 70,610 )	( 301,957 )
	Total other financing sources and (uses)	<u>109,379</u>	<u>671,259</u>	<u>59,120,000</u>	<u>24,761</u>	<u>59,925,399</u>
1200	Net change in fund balances	( 3,380,886 )	1,221,661	50,605,401	( 90,836 )	48,355,340
0100	Fund balances – beginning	<u>33,668,612</u>	<u>15,044,042</u>	<u>5,939,028</u>	<u>2,527,651</u>	<u>57,179,333</u>
3000	Fund balances – ending	<u>\$ 30,287,726</u>	<u>\$ 16,265,703</u>	<u>\$ 56,544,429</u>	<u>\$ 2,436,815</u>	<u>\$ 105,534,673</u>

The notes to the financial statements are an integral part of this statement.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT,**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS**  
**TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2015**

Exhibit C-2R  
Page 1 of 1

Net change in fund balances – total governmental funds (from C-2)	\$ 48,355,340
<b>Amounts reported for <i>governmental activities</i> in the statement of activities (B-1) are different because:</b>	
Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$ 7,212,858 exceeded depreciation of \$ 6,037,954 in the current period.	1,174,904
Government funds report pension payments as expenditures. However, in the governmental activities statement of activities, the pension cost is calculated by an actuary and involves multiple factors. The amount of pension expense reported was \$ 4,039,883 less than the amount reported in the funds.	4,039,883
Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Unearned property tax revenues for the general fund decreased by \$ 9,257 and the debt service fund decreased by \$ 1,253.	( 10,510)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net assets. These amounts were for general obligation bonded debt \$ 10,790,000; and capital lease of \$ 54,852.	10,844,852
Premium on the issuance of bonds provides current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net position. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds was \$ 4,445,979. (Premium on bonds issued of \$ 5,136,259 less current amortization of \$ 690,280).	( 4,445,979)
Pension deferred outflows of resources of \$ 1,079,943, less amortization of \$ 301,223, and pension deferred inflows of resources of \$ 4,105,532, less amortization of \$ 1,145,134.	( 2,181,678)
Long-term debt proceeds provide current financial resources to government funds, but issuing debt increases long-term liabilities in the governmental activities statement of net position. Long-term debt proceeds from bonds were \$ 54,785,000.	( 54,785,000)
Deferred refunding costs is another use in the governmental funds, but the costs increase long-term assets in the statement of net position. This amount is amortized over the life of the refunding bonds or the refunded bonds, whichever is shorter. The current year amortization on the deferred refunding costs is \$ 16,768.	( 16,768)
Governmental funds report proceeds from the sale of assets as revenue. However, in the governmental activities statement of activities, the cost of the assets disposed is offset against the proceeds to report gain or loss on the disposition of assets. The cost of the assets disposed was \$ 4,663 (cost of \$ 242,873 less accumulated depreciation of \$ 238,210).	( 4,663)
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in accrued interest on long-term debt.	( 89,724)
Internal service funds are used by management to charge the costs of insurance and health and worker's compensation to individual funds. The net revenue of the internal service funds is reported in the governmental activities statement of activities (see D-2)	193,820
Accretion of capital appreciation bonds increases debt service interest expense in the governmental activities statement of activity but is not reported in governmental funds.	( <u>159,279</u> )
Change in net position of governmental activities (see B-1)	\$ <u><u>2,915,198</u></u>

The notes to the financial statements are an integral part of this statement.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**AUGUST 31, 2015**

<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Funds (See H-3)</u>
	<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>	
	Current Assets:	
1110	Cash and cash equivalents	\$ 2,527,345
1290	Other receivables (net)	72
1410	Prepaid items	<u>45,560</u>
	Total assets	<u>2,572,977</u>
	<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
1700	Deferred outflows of resources	<u>                    </u>
	Total deferred outflows of resources	<u>-0-</u>
	Total assets and deferred outflows of resources	<u>\$ 2,572,977</u>
	<b>LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES AND NET POSITION:</b>	
	Liabilities:	
2165	Accrued expenses payable	<u>\$ 242,160</u>
	Total liabilities	242,160
	<b>DEFERRED INFLOWS OF RESOURCES:</b>	
2600	Deferred inflows of resources	<u>                    </u>
	Total deferred inflows of resources	<u>-0-</u>
	<b>NET POSITION:</b>	
3900	Unrestricted net position	<u>2,330,817</u>
	Total net position	<u>2,330,817</u>
	Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,572,977</u>

The notes to the financial statements are an integral part of this statement.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED AUGUST 31, 2015**

Exhibit D-2  
Page 1 of 1

	Governmental Activities Internal Service Funds (See H-4)
Operating Revenues:	
Charges for services	\$ <u>1,027,126</u>
Total operating revenues	<u>1,027,126</u>
Operating Expenses:	
Insurance claims and expenses	<u>833,915</u>
Total operating expenses	<u>833,915</u>
Operating income	<u>193,211</u>
Nonoperating Revenues:	
Interest and investment revenue	<u>609</u>
Total nonoperating revenues	<u>609</u>
Changes in net position	193,820
Net position – beginning	<u>2,136,997</u>
Net position – ending	<u>\$ 2,330,817</u>

The notes to the financial statements are an integral part of this statement.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED AUGUST 31, 2015**

Exhibit D-3  
Page 1 of 1

	Governmental Activities Internal Service Funds (See H-5)
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,027,054
Claims paid	<u>( 892,797 )</u>
Net cash provided by operating activities	<u>134,257</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Net cash provided (used) by noncapital financing activities	<u>-0-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Net cash provided (used) by capital and related financing activities	<u>-0-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and investment revenue	<u>609</u>
Net cash provided by investing activities	<u>609</u>
Net increase in cash and cash equivalents	134,866
Balances – beginning of year	<u>2,392,479</u>
Balances – end of year	<u>\$ 2,527,345</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 193,211
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Other receivables	( 72 )
Accrued expenses payable	( 55,184 )
Prepaid items	<u>( 3,698 )</u>
Net cash provided by operating activities	<u>\$ 134,257</u>

The notes to the financial statements are an integral part of this statement.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**AUGUST 31, 2015**

Exhibit E-1  
Page 1 of 1

	Private- Purpose Trusts	Agency Funds
	<u>                    </u>	<u>                    </u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>		
Assets:		
Cash and cash equivalents	\$ <u>11,070</u>	\$ <u>1,154,794</u>
Receivables:		
Other receivables		178
Due from other funds	9,178	1,104,588
Prepaid expenditures		<u>1,962</u>
Total receivables	<u>9,178</u>	<u>1,106,728</u>
Total assets	<u>20,248</u>	<u>\$ 2,261,522</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred outflows		
Total deferred outflows of resources	<u>-0-</u>	
Total assets and deferred outflows of resources	<u>\$ 20,248</u>	
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:</b>		
Liabilities:		
Accounts payable	\$	\$ 37,447
Amounts due to student and employee groups		133,060
Due to other funds		<u>2,091,015</u>
Total liabilities	<u>-0-</u>	<u>\$ 2,261,522</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred inflows		
Total deferred inflows of resources	<u>-0-</u>	
<b>NET POSITION:</b>		
Held in trust for other purposes	<u>20,248</u>	
Total net position	<u>20,248</u>	
Total liabilities, deferred inflows of resources, and net position	<u>\$ 20,248</u>	

The notes to the financial statements are an integral part of this financial statement.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED AUGUST 31, 2015**

Exhibit E-2  
Page 1 of 1

	<u>Private- Purpose Trusts</u>
ADDITIONS:	
Contributions:	
Private donations	\$ _____
Investment Earning:	
Interest	<u>7</u>
Total investment earnings	7
Less investment expense	<u>                    </u>
Net investment earnings	<u>7</u>
Total additions	<u>7</u>
DEDUCTIONS:	
Instruction	<u>14,967</u>
Total deductions	<u>14,967</u>
Change in net position	( 14,960)
NET POSITION	
Net position – beginning of the year	<u>35,208</u>
Net position – end of the year	<u>\$ 20,248</u>

The notes to the financial statements are an integral part of this statement.

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**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2015**

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# **BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**

## *NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2015*

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Brazosport Independent School District (District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees that are elected by registered voters of the District. The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB). Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

#### **Reporting Entity**

The Board of the District is elected by the public; has the authority to make decisions, appoint administrators and managers; significantly influence operations; and has the primary accountability for fiscal matters. Therefore, the District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 61, *"The Financial Reporting Entity: Omnibus – and amendment of GASB Statement No. 14 and No. 34"*. A blended component unit, although a legally separate entity is, in substance, part of the District's operations.

- Blended Component Unit: The Brazosport Independent School District Educational Foundation (the "Foundation") was established under Internal Revenue Service regulations as a conduit for tax-deductible donations to the District. The Superintendent serves as a Board Member. The Foundation is a supporting organization of the District and is presented as a special revenue fund for the District.

#### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report financial information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The *governmental activities* are supported by tax revenues and intergovernmental revenues. The District has no *business-type activities* that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2015*

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus, Basis Of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State of Texas 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.

Revenue from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

Grant funds are considered earned to the extent of the expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until the related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and the unrestricted resources as needed.

# BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2015

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Measurement Focus, Basis Of Accounting, and Financial Statement Presentation (Continued)

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Major revenue sources include local property taxes, state funding under the Foundation School Program and interest earnings. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal and state government, food service, debt service, and capital projects.

The *debt service* fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds 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 the related debt obligations have been met. Major revenue sources include local property taxes, and interest earnings. Expenditures include all costs associated with related debt service.

The *capital projects* fund accounts for the resources accumulated and made for Board authorized acquisition, construction, or renovation, as well as, furnishing and equipping of major capital facilities. The major revenue source includes investment earnings and other resources from proceeds from sale of general obligation bonded debt.

The District reports the following proprietary funds:

The *internal service funds* account for the District's self-funded dental insurance plan provided for the benefit of eligible employees and its self-funded worker's compensation program. The revenues of these funds are received from both the general and special revenue funds, and District employees and the expenses are comprised of claims paid on behalf of the District and its employees. The general fund is contingently liable for liabilities of these funds. Sub-fund accounting is employed to maintain the integrity of the self-insurance activities of the District. See Note 13 for additional discussion of the District's self-funded insurance plans.

The dental insurance plan is intended to be self-supporting and contributions for premiums are increased periodically to cover the cost of claims, insurance premiums and administrative fees. As of August 31, 2015, liabilities totaled \$ 52,563 and net position of the dental insurance plan was \$ 592,404.

The worker's compensation program provides for incurred but not reported costs for worker's compensation claims through the establishment of undiscounted liability accounts and net position. As of August 31, 2015, undiscounted liabilities totaled \$ 189,597 and net position of the worker's compensation program was \$ 1,738,413.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2015*

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus, Basis Of Accounting, and Financial Statement Presentation (Continued)**

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements (unless they conflict with GASB guidance). The District has chosen not to apply future FASB standards.

Additionally, the District reports the following fiduciary funds:

The *private-purpose trust funds* are used to account for donations for endowments received from individuals and/or organizations for specified donor purposes for which the principal and earned interest or revenue may be used.

The *agency fund* accounts for resources held in a custodial capacity by the District, and consists of funds that are the property of students or others.

**Cash and Investments**

The District considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Current investments have an original maturity greater than three months but less than one year at the time of purchase. Non-current investments have an original maturity of greater than one year at the time of purchase.

**Interfund Receivables, Payables and Transfers**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All outstanding balances between funds are reported as "due to/from other funds". The District had no advances between funds. See Note 5 for additional discussion of interfund receivables, payables and transfers.

# **BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**

## *NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2015*

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business property located in the district in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The appraisal and recording of all property within the District is the responsibility of the Brazoria County Appraisal District (BCAD), an independent governmental unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. BCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years.

Under certain circumstances taxpayers and taxing units, including the District, may challenge orders of the BCAD Review Board through various appeals and, if necessary, legal action.

The assessed value (adjusted) of the property tax roll on August 1, 2014, upon which the levy for the 2014-15 fiscal year was based, was \$ 6,933,187,931. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to penalty and interest charges plus 20% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2015, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 1.0400 and \$ 0.2153 per \$ 100 valuation, respectively, for a total of \$ 1.2553 per \$ 100 valuation.

Current tax collections for the year ended August 31, 2015 were 99.37% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting 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. As of August 31, 2015, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 592,599 and \$ 122,106 for the general and debt service funds, respectively.

#### **Inventories**

The consumption method is used to account for inventories (food products, school supplies and athletic equipment) of governmental funds. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. Governmental fund inventories are offset by a fund balance reserve indicating that they are unavailable as current expendable financial resources. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their market value is recorded as inventory and deferred revenue when received in the governmental funds. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2015*

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets and Depreciation**

Capital assets, which include land and land improvements, buildings and improvements, and furniture, equipment and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$ 5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Land improvements, buildings and building improvements, furniture, equipment and vehicles of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	40-50
Furniture, equipment and vehicles	5-15

**Deferred Outflows and Inflows of Resources**

Guidance for deferred outflows of resources and deferred inflows of resources is provided by GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Further, GASB No. 65, "Items Previously Reported as Assets and Liabilities", had an objective to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

**Compensated Absences**

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying financial statements.

# **BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**

## *NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2015*

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts are unearned and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditures or expenses in the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt is reported as other financing resources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **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's 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.

#### **Budgetary Data**

Formal budgetary accounting is employed for all required governmental funds, as outlined in TEA's FASRG, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required governmental funds prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, debt service fund and the food service (special revenue fund). The remaining special revenue funds and the capital projects fund (if utilized) adopt project-length budgets, which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. The budget was properly amended throughout the year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board.



**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2015*

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budgetary Data (Continued)**

The Official Budget was prepared for adoption for the general fund, food service (special revenue fund) and debt service fund prior to August 31, 2014. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within fund groups at the function code level and revenue object code level.

The Budget is formally adopted by the Board of Trustees at a duly advertised public meeting in accordance with law prior to the expenditure of funds. The approved budget is filed with the Texas Education Agency (TEA) through the Public Education Information Management System. Should any change in the approved budget be required, budget amendment requests are presented to the Board of Trustees for consideration. Amendments are made before the fact and once approved are reflected in the official minutes. During the year the budget was properly amended in accordance with the above procedures. The Board of Trustees approved the final budget amendment on August 18, 2015.

**Encumbrance Accounting**

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget.

Outstanding encumbrances at August 31, 2015, which were subsequently provided for in the 2015-16 budgets, totaled \$ 538,797. This is reflected as unassigned fund balance in the general fund.

**Fund Equity**

The District's Board of Trustees meets on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The District's Unassigned General Fund Balance is maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned General Fund Balance may only be appropriated by resolution of the Board of Trustees. Fund Balance of the District may be committed for a specific source by formal action of the District's Board of Trustees. Amendments or modifications of the committed fund balance must also be approved by formal action by the District's Board of Trustees. When it is appropriate for fund balance to be assigned, the Board of Trustees has delegated authority to the Superintendent and the Chief Financial and Governmental Affairs Officer. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

# **BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**

## *NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2015*

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Fund Equity (Continued)**

The District implemented GASB 54, "Fund Balance, Reporting and Governmental Fund Type Definitions", for its governmental funds. Under GASB 54, fund balances are required to be reported according to the following classifications:

Non-spendable Fund Balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted Fund Balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions of enabling legislation).

Committed Fund Balance - Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority.

Assigned Fund Balance - Amounts that are constrained by the District's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned Fund Balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amount had been restricted, committed or assigned.

As of August 31, 2015, non-spendable fund balances include \$ 224,569 for inventories and \$ 1,128,783 for prepaid items in the General Fund, \$ 76,209 for inventories in the Child Nutrition Program (special revenue fund). Restricted fund balances include \$ 2,060,000 for debt service in the General Fund, \$ 16,265,703 for the debt service fund, \$ 56,544,429 for the capital projects fund, \$ 1,095,263 for the Child Nutrition Program (special revenue fund), and \$ 1,263,343 for Campus Activity, New BISD Education Foundation, Lowe's Grants, PPCD Program, Dow Education Grants Program, and Old BISD Education Foundation (special revenue funds). Committed fund balances include \$ 250,000 for claims and judgments and \$ 500,000 for capital expenditures for equipment in General Fund. Assigned fund balances include \$ 5,000,000 for other purposes in the General Fund. Unassigned fund balance includes \$ 21,124,374 in the General Fund.

#### **Data Control Codes**

The data control codes refer to the account code structure prescribed by TEA in the FASRG. The TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2015*

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reporting amounts of assets and deferred outflows of resources, and, liabilities and deferred inflows of resources at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

**New Pronouncements**

GASB issues statements on a routine basis with the intent to provide authoritative guidance on the preparation of financial statements and to improve governmental accounting and financial reporting of governmental entities. Management reviews these statements to ensure that preparation of its financial statements are in conformity with generally accepted accounting principles and to anticipate changes in those requirements. The following recent GASB Statements reflect the action and consideration of management regarding these requirements:

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27", was issued June 2012. The statement was implemented and did have a material effect on the District's financial statements. This statement is effective for periods beginning after June 15, 2014.

GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68", was issued November 2013. The statement was implemented and did have a material effect on the District's financial statements. This statement is effective for periods beginning after June 15, 2014.

GASB No. 72, "Fair Value Measurement and Application" was issued February 2015. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District, however there will be additional disclosures related to Fair Values. This statement is effective for periods beginning after June 15, 2015.

GASB No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of Statements 67 and 68" was issued June 2015. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. This statement is effective for periods beginning after June 15, 2016.

GASB No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" was issued June 2015. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. This statement is effective for periods beginning after June 15, 2016.

GASB No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was issued June 2015. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. This statement is effective for periods beginning after June 15, 2017.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**New Pronouncements (Continued)**

GASB No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" was issued June 2015. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. This statement is effective for periods beginning after June 15, 2015.

GASB No. 77 "Tax Abatement Disclosures" was issued in August 2015. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. This statement is effective for periods beginning after December 15, 2015.

**NOTE 2. CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT**

During the year ended August 31, 2015, the District implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27", and GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68". GASB Statement No. 68 establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. GASB Statement 71, amendment of GASB Statement No. 68, addresses the issue regarding application of the transition provisions. It requires a government employer to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a government employer makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, it requires that the government recognize its contribution as a deferred outflow of resources. The following represents the retroactive restatement of net position as a result of implementation of GASB Statements No. 68 and 71 and prior period adjustment as noted above:

Governmental Activities	
Net position, August 31, 2014, previously reported	\$ 61,839,167
Addition of Outflows of Resources – Subsequent	
Pension Contributions	1,273,841
Addition of net pension obligation	<u>( 16,479,921)</u>
Net position, August 31, 2014, restated	<u>\$ 46,633,087</u>

Information was not available to restate the August 31, 2013 net position or the changes in net position for the year ended August 31, 2014, therefore the MD&A presentation does not report comparative statements for the year ended August 31, 2014. Further, this change in accounting principle had no effect on governmental fund fund balance or changes in fund balance.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT***NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2015***NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES**

The District classifies deposits and investments for financial statement purposes as cash and cash equivalents, current investments, and non-current investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose an investment is considered a cash equivalent if when purchased it has maturity of three months or less. Investments are classified as either current investments or non-current investments. Current investments have maturity of one year or less and non-current investments are those that have a maturity of one year or more. See Note 1 for additional Governmental Accounting Standards Board Statement No. 31 disclosures.

Cash and cash equivalents, current investments, and non-current investments as reported on the statement of net assets at August 31, 2015 are as follows:

	Governmental Funds	Proprietary (Internal Service) Funds	Fiduciary Funds	Total
Cash and Cash Equivalents:				
Cash (petty cash accounts) \$	8,861	\$	\$ 900	\$ 9,761
Financial Institution Deposits:				
Demand deposits	6,222,071	2,527,345	1,153,894	9,903,310
Broker-Dealer:				
Demand deposits	20,549			20,549
Repurchase agreement	10,679,678			10,679,678
Public Funds Investment Pool:				
Lone Star	<u>85,391,754</u>	<u>                    </u>	<u>11,070</u>	<u>85,402,824</u>
	<u>\$ 102,322,913</u>	<u>\$ 2,527,345</u>	<u>\$ 1,165,864</u>	<u>\$ 106,016,122</u>

**Deposits**

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to them. The District requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

Under Texas state law, a bank serving as the school depository must have a bond or in lieu thereof, deposited or pledged securities with the District or an independent third party agent, an amount equal to the highest daily balance of all deposits the District may have during the term of the depository contract, less any applicable FDIC insurance.

At August 31, 2015, in addition to petty cash of \$ 9,761, the carrying amount of the District's cash, savings, and time deposits was \$ 10,067,420. The financial institutions balances were \$ 11,998,624 at August 31, 2015. Financial institution balances of \$ 2,720,708 were covered by federal depository insurance, \$ 20,549 was covered by the Securities Investor Protection Corporation and \$ 9,257,367 were covered by collateral pledged in the District's name. The collateral was held in safekeeping departments of unrelated financial institutions, which act as the pledging bank's agent.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2015*

**NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)**

**Deposits (Continued)**

In addition the following is disclosed regarding coverage of combined balances on the date of highest deposit:

Depository:

- a. Name of bank: Texas Gulf Bank, Freeport, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 26,761,843.
- c. Largest cash, savings and time deposit combined account balance amounted to \$ 29,261,843 and occurred on February 12, 2015.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$ 2,500,000.

**Investments**

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the District to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

The District's deposits and investments are invested pursuant to the investment policy, which is approved by the Board of Trustees. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it includes an "Investment Strategy Statement" that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the District will deposit funds is addressed. The District's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The District's management believes it complied with the requirements of the PFIA and the District's investment policy.

The District's Investment Officer submits an investment report each quarter to the Board of Trustees. The report details the investment positions of the District and the compliance of the investment portfolio's as they relate to both the adopted investment strategy statements and Texas State law.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of the U.S. or its agencies and instrumentalities;
2. Obligations of the State of Texas or its agencies;
3. Other obligations guaranteed by the U.S. or the State of Texas or their agencies and instrumentalities;
4. Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent;

## **BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2015*

#### **NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)**

##### **Investments (Continued)**

5. Guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas;
6. Fully collateralized repurchase agreements; and,
7. Public funds investment pool meeting the requirements of Government Code 2256.016-2256.019.

The District participates in two investment services repurchase agreement of U.S. Government securities agreement with the Bank of New York Mellon for the purpose of investing funds to pay future matured bonds. This agreement governs the sale and purchase of U.S. Government-backed securities by and between the District and the depository on scheduled dates.

These agreements are not considered deposits and are not insured by federal deposit insurance or any other insurance. These investments have a custodial risk as uninsured and unregistered, with securities held by the financial institution's trust department or agent in the District's name.

The District entered into these agreements for the purpose of repaying bonds. These agreements shall not be terminable upon demand. The District will participate in these agreements until completion of terms with interest rates guaranteed to provide sufficient funds to repay the 2003 and 2005 QZAB bonds. The District will repay these bonds with these investments.

The District participates in one Local Government Investment Pool (LGIP): Lone Star Investment Pool. The Lone Star Investment Pool (the Pool) was established on July 25, 1991, as a public funds investment pool in accordance with the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. Lone Star is a 2(a)7 like fund, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. Standard and Poor's has assigned its "AAAm", "AAAm", and "AAAF" fund risk ratings to the Pool's Government Overnight Fund, Corporate Overnight Fund, and Corporate Overnight Plus Fund, respectively.

The "AAAm" rating is the highest possible ranking and demonstrates extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. The "AAAF" credit quality rating indicates that the portfolio holdings provide extremely strong protection against losses from credit defaults. Standard and Poor's reviews investments of the Government Overnight Fund, the Corporate Overnight Fund, and the Corporate Overnight Plus Fund, periodically.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2015**

**NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)**

**Investments (Continued)**

At August 31, 2015, the Government Overnight Fund had a weighted average maturity of 27 days, the Corporate Overnight Fund had a weighted average maturity of 37 days, and the Corporate Overnight Plus Fund had a weighted average maturity of 41 days. Although these three funds had weighted average maturities of 27, 37 and 41 days, respectively, the District considers holdings of these funds to have a one day weighted average maturity. This is due to the fact that the share position can normally be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

The District's investment in LGIP are insured, registered, or the District's agent holds the securities in the District's name; therefore, the District is not exposed to custodial credit risk.

The following table includes the portfolio balances of all investment types of the District at August 31, 2015:

	<u>Cost</u>	<u>Market Value</u>	<u>Weighted Average Maturity (In Days)</u>
Local Government Investment Pool:			
Lone Star Investment Pool:			
Government Overnight Fund	\$ 243,051	\$ 243,051	27
Corporate Overnight Fund	5,200	5,200	37
Corporate Overnight Plus Fund	<u>85,154,573</u>	<u>85,154,573</u>	41
Total local government investment pool	85,402,824	85,402,824	41
Certificates of deposit	143,561	143,561	7
Commercial paper	<u>5,477,510</u>	<u>5,477,510</u>	237
	91,023,895	91,023,895	53
Repurchase agreement	<u>10,679,678</u>	<u>10,679,678</u>	
Total investments	<u>\$ 101,703,573</u>	<u>\$ 101,703,573</u>	

Credit Risk – As of August 31, 2015, 84% of the investment portfolio was invested in AAAM or AAAF rated funds in the LGIP (2(a)7 likepools), 1% invested in certificates of deposit, 100% covered by FDIC insurance, and 5% invested in commercial paper with Standard and Poor's rated A-1 or better. The Repurchase Agreement is invested in direct obligations of the United States of America backed by the full faith and credit of the United States of America.

Interest rate Risk – As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lesser of a dollar weighted average maturity of 365 days or the anticipated cash flow requirements of the funds. Quality short-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets the District's cash flow requirements.



# BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2015

### NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

#### Fair Value Measures

Financial Accounting Standards Board Accounting Standards Codification 820-10, *Fair Value Measurements* (FASB Codification 820-10), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Codification 820-10 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Company's assets at fair value as of August 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Commercial paper	\$ <u>5,477,510</u>	\$ _____	\$ _____	\$ <u>5,477,510</u>
Total assets at fair value	\$ <u>5,477,510</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>5,477,510</u>

#### Derivatives

Interest in derivative products has increased in recent years. Derivatives are investment products, which may be a security or contract, which derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The District made no direct investments in derivatives during the year ended August 31, 2015, and holds no direct investments in derivatives at August 31, 2015.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2015**

**NOTE 4. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED INFLOWS OF RESOURCES, AND UNEARNED REVENUES**

**Receivables and Allowances**

Receivables as of August 31, 2015, for the government's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Receivables:				
Property taxes	\$ 1,333,234	\$ 251,843	\$	\$ 1,585,077
Receivables from other governments	559,311		2,446,661	3,005,972
Other receivables	<u>166,299</u>		<u>50,714</u>	<u>217,013</u>
Gross receivables	2,058,844	251,843	2,497,375	4,808,062
Less: allowance for uncollectibles	<u>740,635</u>	<u>129,737</u>		<u>870,372</u>
Net receivables	<u>\$ 1,318,209</u>	<u>\$ 122,106</u>	<u>\$ 2,497,375</u>	<u>\$ 3,937,690</u>

**Receivables/Payables from/to Other Governments**

The District participates in a variety of federal and state programs from which it receives grants to, partially or fully, finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. All federal grants shown below are passed through the TEA or other state agency and are reported on the combined financial statements as either Receivable from or to Other Governments, as applicable.

Amounts due from federal, state, and local governments as of August 31, 2015 are summarized below.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>State Grants and Other</u>	<u>Total</u>
Major Governmental Funds:				
General fund	\$ 525,761	\$ 6,512	\$ 27,038	\$ 559,311
Other funds		<u>1,465,485</u>	<u>981,176</u>	<u>2,446,661</u>
Total	<u>\$ 525,761</u>	<u>\$ 1,471,997</u>	<u>\$ 1,008,214</u>	<u>\$ 3,005,972</u>

For the year ended August 31, 2015, the District was determined to be subject to Chapter 10 under the Texas Education Code (TEC). During the year ended August 31, 2015, the District was required to pay \$ 1,320,913 to the state and at August 31, 2015, the District had paid the state \$ 1,341,111. The over payment in the amount of \$ 20,198 is recorded as a receivable from other governments. The amount incurred as Chapter 41 costs of \$ 1,320,033 (after settle-ups) is reported as expenditures under Function 91 - Contracted Instructional Services Between Public Schools. The District will continue to be classified as a Chapter 41 District for the 2015-2016 year.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2015*

**NOTE 4. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED INFLOWS OF RESOURCES, AND UNEARNED REVENUES (Continued)**

**Deferred Inflows of Resources and Unearned Revenues**

Governmental Funds

Governmental funds defer the recognition of revenue in connection with receivables that are considered to be unavailable to liquidate liabilities of the current period and report these amounts as deferred inflows of resources. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of August 31, 2015, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	Deferred Inflows of Resources <u>(Unavailable)</u>	Unearned <u>Revenue</u>
Delinquent property taxes receivable (general fund)	\$ 467,175	\$
Delinquent property taxes receivable (debt service fund)	97,165	
Federal food commodities		69,127
State entitlements		872,375
Local grants		13,465
Advance Funding:		
Other	<u>                    </u>	<u>24,670</u>
Totals:	<u>\$ 564,340</u>	<u>\$ 979,637</u>

Governmental Activities

Governmental activities defer the recognition of pension expense for contributions made from the measurement date (August 31, 2014) to the current year-end of August 31, 2015 and report these as deferred outflows of resources. Governmental activities also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a deferred inflow of resources. Further, for governmental activities, like governmental funds, defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of August 31, 2015, the various components of deferred inflows and outflows of resources and unearned revenue reported in the governmental activities were as follows:

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2015*

**NOTE 4. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED INFLOWS OF RESOURCES, AND UNEARNED REVENUES (Continued)**

**Deferred Inflows of Resources and Unearned Revenues (Continued)**

Governmental Activities (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
TRS deferred inflows and outflows of resources less current amortization	\$ 3,033,551	\$	\$
Pension contributions subsequent to the measurement date		2,960,398	
Bond refunding costs	125,185		
Federal food commodities			69,127
State entitlements			872,375
Other			<u>38,135</u>
 Totals	 <u>\$ 3,158,736</u>	 <u>\$ 2,960,398</u>	 <u>\$ 979,637</u>

**NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

**Interfund Receivables and Payables**

Interfund balances at August 31, 2015 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Special Revenue Funds	\$ 4,042,325	\$ 1,849,903
Debt Service Fund		8,410
Fiduciary Funds	<u>3,089</u>	
 Total general fund	 <u>4,045,414</u>	 <u>1,858,313</u>
 Special Revenue Funds:		
General Fund:		
ESEA, Title I, Part A		377,498
IDEA - Part B, Formula		579,352
IDEA - Part B, Preschool		12,464
Child Nutrition Program	1,764,162	2,005,306

(continued)

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2015**

**NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)**

**Interfund Receivables and Payables (Continued)**

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Special Revenue Funds:		
General Fund:		
ESEA, Title II, Part A	\$	\$ 76,301
ESEA, Title III, Part A	3,995	23,567
Instruction Material Allotment Program		966,647
New BISD Education Foundation		845
Lowe's Grants	746	
PPCD Program	52,494	
Fluor Industries Grant	12,517	
Dow Education Grants	10,676	93
Houston Saengerbund	948	
Old BISD Education Foundation	4,365	252
Child Nutrition Program:		
PPCD Program	187	
PPCD Program:		
Child Nutrition Program		187
Agency Fund:		
Campus Activity Funds	<u>2,078,748</u>	<u>1,104,588</u>
	<u>3,928,838</u>	<u>5,147,100</u>
Special Revenue Funds:		
Debt Service Fund:		
General Fund	<u>8,410</u>	
Fiduciary Funds:		
Trust Fund:		
Agency Fund	9,178	
Agency Funds:		
General Fund		3,089
Special Revenue Fund	1,104,588	2,078,748
Trust Fund		9,178
	<u>1,113,766</u>	<u>2,091,015</u>
Total	<u>\$ 9,096,428</u>	<u>\$ 9,096,428</u>

**Interfund Transfers**

Interfund transfers for the year ended August 31, 2015 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund:		
Special Revenue Funds	\$ 70,610	\$ 95,371
Capital Projects Funds	<u>132,988</u>	<u>2,988</u>
	<u>203,598</u>	<u>98,359</u>

(continued)

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2015**

**NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)**

**Interfund Transfers (Continued)**

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Special Revenue Funds:		
General Fund:		
Child Nutrition Program	\$ 95,371	\$
New BISD Education Foundation		70,610
	<u>95,371</u>	<u>70,610</u>
Capital Projects:		
General Fund	<u>2,988</u>	<u>132,988</u>
	<u>\$ 301,957</u>	<u>\$ 301,957</u>

This transfer was made to cover planned expenditures in the capital projects fund.

**NOTE 6. CAPITAL ASSETS**

**Changes in Capital Assets and Accumulated Depreciation**

The following provides a summary of changes in capital assets and accumulated depreciation for the year ended August 31, 2015:

	<u>September 1,</u> <u>2014</u>	<u>Additions</u>	<u>Retirements &amp;</u> <u>Adjustments</u>	<u>August 31,</u> <u>2015</u>
Non-Depreciated Capital Assets:				
Land	\$ 2,260,973	\$	\$	\$ 2,260,973
Construction in progress	<u>8,027,961</u>	<u>6,206,994</u>	<u>8,337,733</u>	<u>5,897,222</u>
Total non-depreciated	<u>10,288,934</u>	<u>6,206,994</u>	<u>8,337,733</u>	<u>8,158,195</u>
Depreciated Capital Assets:				
Land improvements	6,096,044	904,497		7,000,541
Buildings and improvements	193,427,986	8,282,717	232,973	201,477,730
Furniture, equipment & vehicles	<u>15,517,337</u>	<u>156,383</u>	<u>9,900</u>	<u>15,663,820</u>
Total depreciated	<u>215,041,367</u>	<u>9,343,597</u>	<u>242,873</u>	<u>224,142,091</u>
Total additions/retirements		<u>\$ 15,550,591</u>	<u>\$ 8,580,606</u>	
Accumulated Depreciated:				
Land and land improvements	\$ 5,126,729	\$ 208,594	\$	\$ 5,335,323
Buildings and improvements	60,415,285	5,151,447	228,310	65,338,422
Furniture, equipment & vehicles	<u>11,588,842</u>	<u>677,913</u>	<u>9,900</u>	<u>12,256,855</u>
Total accumulated depreciation	<u>77,130,856</u>	<u>\$ 6,037,954</u>	<u>\$ 238,210</u>	<u>82,930,600</u>
Net depreciated capital assets	<u>137,910,511</u>			<u>141,211,491</u>
Net capital assets	<u>\$ 148,199,445</u>			<u>\$ 149,369,686</u>

See Note 1 for additional information regarding capital assets.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2015*

**NOTE 6. CAPITAL ASSETS (Continued)**

**Depreciation Expense**

In accordance with requirements of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*, depreciation expense of the governmental activities was charged to functions as follows:

<u>Data Control Codes</u>	<u>Function</u>	<u>Amount</u>
0011	Instruction	\$ 3,124,639
0012	Instructional resources and media services	284,089
0013	Curriculum and staff development	14,732
0021	Instructional leadership	37,980
0023	School leadership	237,127
0031	Guidance, counseling, and evaluation services	45,259
0033	Health services	23,473
0034	Student transportation	685,151
0035	Food service	417,025
0036	Extracurricular activities	794,306
0041	General administration	34,510
0051	Plant maintenance and operations	325,128
0053	Data processing services	<u>14,535</u>
	Total depreciation expense	<u>\$ 6,037,954</u>

**Governmental Fund Construction Commitments**

At August 31, 2015, the District had the following construction commitments:

<u>Project</u>	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Commitment</u>
Brazoswood High Pool Refurbish	\$ 517,924	\$ 248,592	\$ 269,332
Brazosport High Welding Lab	332,967	296,219	36,748
Slade Field Turf Replacement	385,444	243,698	141,746
Slade Field Track Improvement	327,022	119,426	207,596
Hopper Field Turf Replacement	635,051	27,962	607,089
Hopper Field Track Improvement	1,023,084	25,263	997,821
Keyless Building Entry	274,175	249,384	24,791
Slade Field Parking Lot Improvement	250,500	166,810	83,690
Brazoswood High Student Parking Lot	612,500	560,645	51,855
New 750 Student Elementary - Beutel	<u>1,016,986</u>	<u>597,549</u>	<u>419,437</u>
	<u>\$ 5,375,653</u>	<u>\$ 2,535,548</u>	<u>\$ 2,840,105</u>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2015**

**NOTE 7. LONG-TERM DEBT**

**Loans**

Short-term debts are accounted for through the appropriate fund, and consist of notes made in accordance with the provisions of the Texas Education Code. The District did not borrow any funds through loan transactions during the year ended August 31, 2015.

**General Obligation Bonds**

Long-term debt includes par bonds, capital appreciation (deep discount) serial bonds, contractual obligations and loans. Contractual obligations are issued at parity with general obligation bonds, but carry a secondary revenue stream pledge; however, all certificates of obligation are tax, not revenue, supported. This debt, unlike other tax-supported debt, can be issued without a vote of the citizens. Bond premiums and discounts are amortized using the effective interest method.

The following is a summary of the District's general obligation bonded debt as of August 31, 2015:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>% Rates</u>	<u>Outstanding Balance</u>
2003	\$ 8,000,000	2018	0.00	\$ 8,000,000
2005	14,530,000	2016	2.50-5.00	525,000
2005	8,000,000	2021	0.00	8,000,000
2007	8,010,000	2022	4.00	6,750,000
2007	1,682,270	2018	4.00	2,302,258
2010	6,985,000	2019	2.00-5.00	6,415,000
2011	7,365,000	2023	2.00-4.00	6,775,000
2011	2,036,256	2021	3.00	2,307,067
2012	30,385,000	2023	2.00-4.00	25,245,000
2012	56,870,000	2025	2.00-3.00	48,835,000
2013	9,415,000	2023	3.00	5,865,000
2015	<u>54,785,000</u>	2035	3.00-5.00	<u>54,780,000</u>
Total	\$ <u>208,063,526</u>			\$ <u>175,799,325</u>

Presented below is a summary of general obligation bond requirements to maturity:

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2016	\$ 11,200,000	\$ 5,495,578	\$ 16,695,578
2017	14,190,000	5,016,162	19,206,162
2018	24,175,000	4,512,456	28,687,456
2019	18,495,000	3,928,931	22,423,931
2020	17,820,000	3,279,800	21,099,800
2021-2025	63,975,000	9,332,422	73,307,422
2026-2030	12,135,000	3,615,200	15,750,200
2031-2035	<u>14,470,000</u>	<u>1,277,007</u>	<u>15,747,007</u>
Totals	\$ <u>176,460,000</u>	\$ <u>36,457,556</u>	\$ <u>212,917,556</u>

Difference in bond payable and future principal payments is due to \$ 660,675 of accretion, which will occur in future years prior to payment.



**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2015*

**NOTE 7. LONG-TERM DEBT (Continued)**

**General Obligation Bonds (Continued)**

During the year ended August 31, 2015, the District issued Unlimited Tax School Building Bonds, Series 2015 in the amount of \$ 54,785,000 for the construction, acquisition, and equipment of schools buildings in the District and the purchase of necessary sites for school buildings, and the costs of issuing the bonds. The bonds bear an interest rate of 3.00% - 5.00% and have a final maturity date of February 15, 2035. During fiscal year 2015, the District made \$ 5,000 in principal payments and no interest payments. The outstanding balance of these bonds as of August 31, 2015 was \$ 54,780,000.

The District entered into two repurchase agreements for 2003B Unlimited Tax School Building QZAB Bonds and the 2005 Unlimited Tax School Building QZAB Bonds. The 2003B Unlimited Tax School Building QZAB Bonds repurchase agreement calls for annual payments of \$ 377,642 and will yield an interest rate of 4.21% with maturity date of August 15, 2018. The 2005 Unlimited Tax School Building QZAB Bonds repurchase agreement calls for annual payments of \$ 401,939 and will yield an interest rate of 2.83% with maturity date of June 30, 2021. The total requirement deposited for the year ended August 31, 2015 was \$ 779,580. The sinking fund balance as of August 31, 2015 was \$ 10,548,983 (\$ 4,595,831 Series 2005 and \$ 5,953,152 Series 2003).

Presented below is a summary of the sinking fund requirements:

<u>Year Ended</u> <u>August 31</u>	<u>Series</u> <u>2005</u>	<u>Series</u> <u>2003</u>	<u>Total</u> <u>Requirements</u>
2016	\$ 401,939	\$ 377,641	\$ 779,580
2017	401,939	377,642	779,581
2018	401,939	377,641	779,580
2019	401,939		401,939
2020	401,939		401,939
2021	<u>401,939</u>	<u>                    </u>	<u>401,939</u>
Total minimum requirements	<u>\$ 2,411,634</u>	<u>\$ 1,132,924</u>	<u>\$ 3,544,558</u>

Bond indebtedness of the District is recorded in the governmental activities statement of net assets, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Proceeds of long-term issues are reflected as "Other Resources" in the operating statement of the recipient fund.

The District has entered into continuing disclosure undertaking to provide annual reports and material event notices to the State Information Depository of Texas (SID), 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 Brazosport Independent School District.

There are limitations and restrictions contained in the general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2015.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2015**

**NOTE 7. LONG-TERM DEBT (Continued)**

**Maintenance Tax Note**

On November 30, 2010 the District issued \$ 9,330,000 of Taxable Series 2010Q Maintenance Tax Qualified School Construction Notes, maturing in 2029. The notes have stated interest rates ranging from 3.75% to 5.20%. The bonds are to be paid from annual ad valorem maintenance taxes levied. The District has irrevocably designated the Series 2010Q Notes as "specified tax credit notes" within the meaning of Section 6431(F)(3)(b) of the Internal Revenue Code. Therefore, the District will be eligible to receive a cash subsidy from the United States Treasury in connection with the election. The Federal subsidy received by the District will not be pledged to payment of the Series 2010Q Notes and may be used for any lawful purpose of the District, including but not limited to, payment of debt service on the Series 2010Q Notes.

The following is a summary of the District's maintenance tax school construction note debt as of August 31, 2015:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>% Rates</u>	<u>Outstanding Balance</u>
2010	\$ <u>9,330,000</u>	2029	3.75-5.20	\$ <u>9,330,000</u>
Total	\$ <u>9,330,000</u>			\$ <u>9,330,000</u>

Presented below is a summary of maintenance tax note requirements to maturity:

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2016	\$	\$ 409,584	\$ 409,584
2017		409,583	409,583
2018		409,584	409,584
2019		409,583	409,583
2020	4,635,000	409,584	5,044,584
2021-2025	2,575,000	1,178,856	3,753,856
2026-2029	<u>2,120,000</u>	<u>440,960</u>	<u>2,560,960</u>
	\$ <u>9,330,000</u>	\$ <u>3,667,734</u>	\$ <u>12,997,734</u>

Current requirements for interest expenditures accounted for in the General Fund were \$ 409,584.

The 2010Q Maintenance Tax Qualified School Construction Notes call for annual payments of \$ 515,000 from August 15, 2012 through August 15, 2025 and \$ 530,000 from August 15, 2026 through August 15, 2029, and will yield \$ 9,330,000 for the payment of principal on the notes.

Presented below is a summary of sinking fund requirements and estimated Federal subsidy for the 2010Q Maintenance Tax Qualified School Construction Notes. Listed is the original subsidy follows by the adjusted and reduced subsidy as a result of the federal sequestration. Beginning March of 2013 the subsidy was reduced by 8.7% from the original subsidy and in October of 2014 from it was reduced by 7.2% the original subsidy amount.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT***NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2015***NOTE 7. LONG-TERM DEBT (Continued)****Maintenance Tax Note (Continued)**

<u>Year Ended August 31</u>	<u>Original Federal Subsidy</u>	<u>Reduced Federal Subsidy</u>	<u>Annual Sinking Fund Requirement</u>
2016	\$ 409,583	\$ 344,459	\$ 515,000
2017	409,584	344,460	515,000
2018	409,583	344,459	515,000
2019	409,584	344,460	515,000
2020	409,583	344,459	515,000
2021-2025	1,178,856	991,418	2,575,000
2026-2029	<u>440,960</u>	<u>370,847</u>	<u>2,120,000</u>
Totals	<u>\$ 3,667,733</u>	<u>\$ 3,084,562</u>	<u>\$ 7,270,000</u>

**Changes in Long-Term Liabilities**

Long-term liability activity for the governmental activities for the year ended August 31, 2015, was as follows:

	<u>Balance 09-01-14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 08-31-15</u>	<u>Due Within One Year</u>
Long-Term Debt:					
General obligation bonds	\$ 131,645,046	\$ 54,944,279	\$ 10,790,000	\$ 175,799,325	\$ 11,200,000
Tax Notes	9,330,000			9,330,000	
Capital leases	181,282		54,852	126,430	54,918
Net pension obligations	16,479,921	9,211,105	12,269,998	13,421,028	1,273,842
Components of Long-Term Debt:					
Premium (discount) on general obligation bond	5,096,674	5,136,259	690,280	9,542,653	846,828
Accrued interest	<u>140,409</u>	<u>230,133</u>	<u>140,409</u>	<u>230,133</u>	<u>230,133</u>
Totals	<u>\$ 162,873,332</u>	<u>\$ 69,521,776</u>	<u>\$ 23,945,539</u>	<u>\$ 208,449,569</u>	<u>\$ 13,605,721</u>

**NOTE 8. LEASES****Capital Leases**

The District leases various office machines under capital leases. During the year ended August 31, 2014, the District had \$ 219,675 of net additions of new office equipment through capital leases. The effective interest rate of the capital lease is 17.69%, expiring in 2018. The leased assets and related obligations are accounted for in the government activities column of the government-wide financial statements as capital assets and noncurrent liabilities. Current requirements for principal and interest expenditures accounted for in the General Fund, were \$ 54,852 and \$ 38,812, respectively.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2015**

**NOTE 8. LEASES (Continued)**

**Capital Leases (Continued)**

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments, as of August 31, 2015:

<u>Year Ended</u> <u>August 31</u>	<u>Amount</u>
2016	\$ 93,795
2017	93,795
2018	<u>22,207</u>
	209,797
Less amount representing interest	<u>83,367</u>
Net present value of minimum lease payments	<u>\$ 126,430</u>

**Operating Leases**

As of August 31, 2015, the District is not involved in any non-cancelable lease agreements. All leases are on a “month-to-month” basis. The District did not incur any rental expenditures for the fiscal year ending August 31, 2015.

**NOTE 9. PENSION PLAN OBLIGATIONS**

*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). TRS’s defined benefit pension plan is 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-sponsored education 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.

*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 <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

# BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2015

### NOTE 9. PENSION PLAN OBLIGATIONS (Continued)

*Benefits Provided* – TRS provides services 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 credit 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 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 "Plan Description" above.

*Contributions* – Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas legislature to established 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 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 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2014 as discussed in Note 1 of the TRS 2014 CAFR. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

#### Contribution Rates

	<u>2014</u>	<u>2015</u>
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer # 1398 – 2014 Employer Contributions	\$	1,273,841
Employer # 1398 – 2014 Member Contributions	\$	1,184,610
Employer # 1398 – 2014 NECE On-behalf Contributions	\$	769,056

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).

# BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2015

### NOTE 9. PENSION PLAN OBLIGATIONS (Continued)

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 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, 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.

*Actuarial Assumptions* – The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

\* Includes Inflation of 3%

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2015*

**NOTE 9. PENSION PLAN OBLIGATIONS (Continued)**

*Discount Rate* – The discount rate used to measure the total pension liability was 8.00%. 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 statutory 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 the 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 Systems target asset allocation as of August 31, 2014 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity:			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value:			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Return:			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity:			
Risk Parity	5%	8.9%	0.4%
Alpha			1.0%
Total	100%		8.7%

\* *The Expected Contribution to Returns incorporates the volatility drag resulting from the conversation between Arithmetic and Geometric mean returns.*

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2015*

**NOTE 9. PENSION PLAN OBLIGATIONS (Continued)**

*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 2014 Net Pension Liability.

	<u>1% Decrease in Discount Rate (7.0%)</u>	<u>Discount Rate (8.0%)</u>	<u>1% Increase in Discount Rate (9.0%)</u>
District's proportionate share of the Net pension liability	\$ <u>23,982,563</u>	\$ <u>13,421,028</u>	\$ <u>5,522,967</u>

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* – At August 31, 2014, the District reported a liability of \$ 13,421,028 for its proportionate share of 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	\$ 13,421,028
State's proportionate share that is associated with the District	<u>8,102,680</u>
Total	<u>\$ 21,523,708</u>

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contribution to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 thru August 31, 2014.

At August 31, 2014 the employer's portion of the collective net pension liability was 0.000502446% which was a decrease of 0.00035% from its proportion measured as of August 31, 2013. The change in proportion was immaterial and therefore disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective September 1, 2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2014, the District recognized pension expense of \$ 1,240,537 and revenue of \$ 769,056 for support provided by the State.

At August 31, 2014, the District reported its proportionate share of TRS's deferred outflows of resources and deferred inflows of resources related to pensions. These are included in the District's net pension liability at August 31, 2014.



**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2015**

**NOTE 9. PENSION PLAN OBLIGATIONS (Continued)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 207,561	\$
Changes in actuarial assumptions	872,382	
Difference between projected and actual investment earnings		4,102,014
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions		3,518
Contribution paid to TRS subsequent to the measurement date	<u>2,254,831</u>	<u>                    </u>
Total	<u>\$ 3,334,774</u>	<u>\$ 4,105,532</u>

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

<u>Year Ended August 31,</u>	<u>Pension Expense Amount</u>
2016	\$( 843,911)
2017	( 843,911)
2018	( 843,911)
2019	181,592
2020	168,463
Thereafter	168,463

**NOTE 10. GENERAL FUND FEDERAL SOURCE REVENUES**

Following is a schedule of federal source revenue recorded in the General Fund.

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Total</u>
Direct Costs:		
School Health and Related Services (SHARS)	---	\$ 682,982
Build America Bonds	---	379,684
ROTC Program	12.000	63,963
Medicaid Administrative Claiming Program (MAC)	93.778	16,852
Indirect Costs:		
School Breakfast Program	10.553	107,996
National School Lunch Program	10.555	392,004
ESEA, Title I, Part A - Improving Basic Programs	84.010	22,840
IDEA Part B - Formula	84.027	<u>26,016</u>
		<u>\$ 1,692,337</u>

The School Health and Related Services (SHARS) funds and Build American Bond subsidy are not considered federal financial assistance for inclusion in the Schedule of Federal Financial Awards.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2015**

**NOTE 11. LOCAL AND INTERMEDIATE REVENUES**

During the current year, local and intermediate revenues for governmental funds consisted of the following:

Fund	General Fund	Debt Service Fund	Capital Projects Funds	Other Funds	Total
Property Taxes	\$ 69,635,514	\$ 14,675,834	\$	\$	\$ 84,311,348
Food sales				2,043,789	2,043,789
Investment income	60,755	393,414	9,844	3,209	467,222
Penalties, interest and other tax related income	358,828	70,953			429,781
Co-curricular income	201,406				201,406
Other tuition and fees from patrons				29,527	29,527
Enterprise activities	12,262			1,112,431	1,124,693
Grants and contributions	53,754			537,189	590,943
Other	<u>757,458</u>		<u>347,421</u>	<u>1,542</u>	<u>1,106,421</u>
Total	<u>\$ 71,079,977</u>	<u>\$ 15,140,201</u>	<u>\$ 357,265</u>	<u>\$ 3,727,687</u>	<u>\$ 90,305,130</u>

**NOTE 12. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 2015, 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.

**NOTE 13. SELF-INSURANCE**

**Dental Plan**

Beginning September 1, 2001, the District established its self-funding Dental (Health) Plan program. The accrued liability for the Dental Plan self-insurance program is projected to be \$ 52,563 as of August 31, 2015.

The dental plan is funded through the employee flex spending program. During the year ended August 31, 2015, the Plan received \$ 566,657 in employee contributions, of which \$ 14,515 were forfeitures.

The accrued liability for the Dental Plan self-insurance of \$ 52,563 includes estimated incurred but not reported claims. This liability reported in the fund at August 31, 2015, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2015*

**NOTE 13. SELF-INSURANCE (Continued)**

**Dental Plan (Continued)**

Changes in the dental plan claims liability amounts in fiscal 2013-2014 and 2014-2015 are presented below:

	<u>Beginning of Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2013-2014 Dental Plan	\$ 30,945	\$ 411,970	\$ 405,761	\$ 37,154
2014-2015 Dental Plan	\$ 37,154	\$ 578,928	\$ 563,519	\$ 52,563

**Workers' Compensation**

Beginning September 1, 2001, the District established its self-funding Workers' Compensation program. The District met its statutory worker's compensation obligations by participating as a self-funded member of the TASB Risk Management Fund. The accrued liability for the Workers' Compensation self-insurance program is projected to be \$ 189,597 as of August 31, 2015.

The District has maintained a self-insured retention of \$ 325,000 per occurrence during the year ended August 31, 2015. The District currently purchases specific excess coverage of \$ 325,000 per occurrence from Midwest Employers Casualty Company and \$ 1,000,000 in the aggregate. Claims administration is also provided by Texas Association of School Boards.

The accrued liability for Workers' Compensation self insurance of \$ 189,597 includes estimated incurred but not reported claims. This liability reported in the fund at August 31, 2015, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount.

The following year-by-year exposure details the number of annual claims.

<u>Fiscal Year</u>	<u>Claims</u>
2006-07	184
2007-08	172
2008-09	148
2009-10	112
2010-11	84
2011-12	77
2012-13	77
2013-14	85
2014-15	92
9 Yr. Average	115

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2015**

**NOTE 13. SELF-INSURANCE (Continued)**

**Workers' Compensation (Continued)**

Changes in the workers' compensation claims liability amounts in fiscal 2013-2014 and 2014-2015 are presented below:

	<u>Beginning of Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2013-2014 Workers' Compensation	\$ 340,943	\$ 255,358	\$ 336,111	\$ 260,190
2014-2015 Workers' Compensation	\$ 260,190	\$ 254,988	\$ 325,581	\$ 189,597

**NOTE 14. UNEMPLOYMENT COMPENSATION POOL**

During the year ended August 31, 2015, Brazosport Independent School 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 Cooperation 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 obligations to the Texas Workforce Commission. Expenses are accrued each month 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 Unemployment Compensation pool members.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2014 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

**NOTE 15. LITIGATION AND CONTINGENCIES**

The District participates in numerous state and Federal 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, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2015 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 combined financial statements for such contingencies.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
 YEAR ENDED AUGUST 31, 2015

**NOTE 16. JOINT VENTURED-SHARED SERVICE ARRANGEMENTS**

The District participates in a Shared Services Arrangement (“SSA”) for teaching and services for the Juvenile Justice Alternative Education Program with seven other school districts. The District does not account for revenues or expenditures of this program and does not disclose them in these financial statements. Brazoria County is the fiscal agent manager and is responsible for all financial activities of the shared services arrangement. The District does not 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 Brazosport Independent School District. The District reimburses Brazoria County for expenditures attributable to their participation. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Presented below are the expenditures attributable to the District’s participation.

Expenditures:

6200	Professional and Contracted Services	\$	-0-
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The District participates in a Shared Services Arrangement for the hearing impaired through the Brazoria-Fort Bend Cooperative with eleven other school districts. 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, Fort Bend 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 Brazosport Independent School District. The fiscal manager is responsible for all financial activities of the shared services arrangement. The amount of state revenues and expenditures attributable to the District’s participation is not available.

The District reimburses Fort Bend Independent School District for their share of expenditures incurred which exceed the state funded portion. Local revenues are utilized to cover these expenditures. The District included the following expenditures in these financial statements.

Expenditures:

6400	Other Operating Costs	\$	114,690
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The District participates in a Shared Services Arrangement with Deer Park Independent School District for the supply of electricity and ancillary services to all facilities of the District. Deer Park Independent School District is the fiscal agent. All services are provided by the fiscal agent for the supply of electricity, the negotiation to purchase electricity, ancillary services, or other energy related products and services, and to encourage efficiency of operation and conservation on behalf of the buyer. 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, Deer Park ISD, 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 Brazosport Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. The District included the following expenditures in these financial statements.

Expenditures:

6400	Other Operating Costs	\$	2,107,803
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**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2015*

**NOTE 17. SUBSEQUENT EVENT**

The District has evaluated subsequent events through December 16, 2015, the date which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2015**

Exhibit G-1  
Page 1 of 1

Data Control Codes	General Fund				Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES:					
5700	Local and intermediate sources	\$ 71,285,011	\$ 73,728,765	\$ 71,079,977	\$( 2,648,788)
5800	State program revenues	18,920,244	18,920,743	18,178,145	( 742,598)
5900	Federal program revenues	<u>1,599,967</u>	<u>1,599,967</u>	<u>1,692,337</u>	<u>92,370</u>
5020	Total revenues	<u>91,805,222</u>	<u>94,249,475</u>	<u>90,950,459</u>	<u>( 3,299,016)</u>
EXPENDITURES:					
Current:					
0011	Instruction	54,186,128	54,618,698	53,917,735	700,963
0012	Instructional resources and media services	1,448,208	1,883,864	1,504,459	379,405
0013	Curriculum and staff development	1,033,999	1,171,996	906,136	265,860
0021	Instructional leadership	2,313,338	2,461,472	2,138,590	322,882
0023	School leadership	6,482,925	6,602,065	6,554,061	48,004
0031	Guidance, counseling, and evaluation services	3,148,360	3,380,866	3,336,890	43,976
0032	Social work services	122,565	173,784	105,821	67,963
0033	Health services	1,179,499	1,492,296	1,249,184	243,112
0034	Student transportation	2,846,136	2,382,706	2,009,615	373,091
0036	Extracurricular activities	3,057,277	4,022,059	3,116,478	905,581
0041	General administration	2,268,807	2,559,264	2,395,393	163,871
0051	Plant maintenance and operations	9,781,237	10,537,163	10,244,691	292,472
0052	Security and monitoring services	859,532	1,015,736	714,665	301,071
0053	Data processing services	1,813,453	2,006,791	1,593,506	413,285
0061	Community services	11,500	16,700	11,833	4,867
0071	Principal on long-term debt	571,000	571,000	54,852	516,148
0072	Interest on long-term debt	450,000	450,000	448,396	1,604
0091	Contracted instructional services between public schools	1,387,206	1,537,206	1,320,033	217,173
0093	Payments related to shared services arrangements	2,438,479	2,486,153	2,222,493	263,660
0095	Payments to Juvenile Justice Alternative Education Programs	58,000	58,000		58,000
0099	Other intergovernmental	<u>620,000</u>	<u>620,000</u>	<u>595,893</u>	<u>24,107</u>
6030	Total expenditures	<u>96,077,649</u>	<u>100,047,819</u>	<u>94,440,724</u>	<u>5,607,095</u>
1100	Excess of revenues over expenditures	<u>( 4,272,427)</u>	<u>( 5,798,344)</u>	<u>( 3,490,265)</u>	<u>2,308,079</u>
OTHER FINANCING SOURCES:					
7912	Sale of real or personal property			4,140	4,140
7915	Operating transfers in		203,598	203,598	-0-
7919	Extraordinary items		180,677		( 180,677)
8911	Operating transfers out		<u>( 91,184)</u>	<u>( 98,359)</u>	<u>( 7,175)</u>
	Total other financing sources	<u>-0-</u>	<u>293,091</u>	<u>109,379</u>	<u>( 183,712)</u>
1200	Net change in fund balances	<u>( 4,272,427)</u>	<u>( 5,505,253)</u>	<u>( 3,380,886)</u>	<u>2,124,367</u>
0100	Fund balances – beginning	<u>33,668,612</u>	<u>33,668,612</u>	<u>33,668,612</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 29,396,185</u>	<u>\$ 28,163,359</u>	<u>\$ 30,287,726</u>	<u>\$ 2,124,367</u>



**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**AND RELATED RATIOS – COST SHARING EMPLOYER PLAN**  
**FOR THE LAST TEN YEARS (1)**  
**AUGUST 31, 2015 WITH MEASUREMENT DATE OF AUGUST 31, 2014**

EXHIBIT G-2  
Page 1 of 1

	<u>2015</u>
District's proportion of the net pension liability (assets)	0.000502446%
District's proportionate share of the net pension liability (asset)	\$ 13,421,028
State's proportionate share of the net pension liability (asset) associated with the District	<u>8,102,680</u>
Total	<u>\$ 21,523,708</u>
District's covered-employee payroll	<u>\$ 70,210,198</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	19.12%
Plan fiduciary net position as a percentage of total pension liability	83.25%

(1) The first TRS actuarial report was completed for the year ended August 31, 2014 (measurement date), therefore, only one year of required supplemental information is available.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF REQUIRED CONTRIBUTIONS -  
 COST SHARING EMPLOYER PLAN  
 FOR THE LAST TEN YEARS (1)  
 AUGUST 31, 2015 WITH MEASUREMENT DATE OF AUGUST 31, 2014*

	<u>2015</u>
Contractually required contributions	\$ 1,273,841
Contributions in relation to the contractually required contribution	<u>1,273,841</u>
Contribution deficiency (excess)	<u>\$ -0-</u>
District's covered-employee payroll	<u>\$ 70,210,198</u>
Contributions as a percentage of covered-employee payroll	1.81%

(1) The first TRS actuarial report was completed for the year ended August 31, 2014 (measurement date), therefore, only one year of required supplemental information is available.

**OTHER SUPPLEMENTARY INFORMATION**

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**AUGUST 31, 2013**

Data Control Codes	Special					
	211	224	225	226	240	
	ESEA, Title I Part A	IDEA - Part B, Formula	IDEA - Part B, Preschool	IDEA Part B, High Cost	Child Nutrition Program	
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>						
1110	Cash and cash equivalents	\$	\$	\$	\$ 1,559,306	
1120	Investments					
1240	Receivables from other governments	484,703	697,773	15,420	167,000	
1250	Other receivables				44,450	
1260	Due from other funds				1,764,349	
1310	Inventories				76,209	
1000	Total assets	<u>484,703</u>	<u>697,773</u>	<u>15,420</u>	<u>-0-</u>	<u>3,611,314</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
1700	Deferred outflows of resources					
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	Total assets and deferred outflows of resources	<u>\$ 484,703</u>	<u>\$ 697,773</u>	<u>\$ 15,420</u>	<u>\$ -0-</u>	<u>\$ 3,611,314</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
2110	Accounts payable	\$ 8,529	\$ 7,654	\$	\$ 265,885	
2160	Accrued wages payable	98,676	110,767	2,956	99,524	
2170	Due to other funds	377,498	579,352	12,464	2,005,306	
2300	Unearned revenue				69,127	
2000	Total liabilities	<u>484,703</u>	<u>697,773</u>	<u>15,420</u>	<u>-0-</u>	<u>2,439,842</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
1700	Deferred inflows of resources					
	Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>Fund Balances:</b>						
<b>Non-Spendable:</b>						
3410	Inventories				76,209	
<b>Restricted:</b>						
3450	Food service				1,095,263	
3480	Other					
3000	Total fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,171,472</u>
4000	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 484,703</u>	<u>\$ 697,773</u>	<u>\$ 15,420</u>	<u>\$ -0-</u>	<u>\$ 3,611,314</u>

Revenue Funds							
244	255	263	289	385	410	461	472
Career & Technical Basic Grant	ESEA, Title II Part A	ESEA, Title III, Part A	ESL Summer Program	Orientation & Mobility Program	Instructional Materials Allotment	Campus Activity Funds	New BISD Education Foundation
\$	\$	\$	\$	\$	\$	\$	\$ 77,147
	81,017	19,572			981,176		143,561
	764	3,995				2,078,748	5,500
<u>-0-</u>	<u>81,781</u>	<u>23,567</u>	<u>-0-</u>	<u>-0-</u>	<u>981,176</u>	<u>2,078,748</u>	<u>226,208</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ -0-</u>	<u>\$ 81,781</u>	<u>\$ 23,567</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 981,176</u>	<u>\$ 2,078,748</u>	<u>\$ 226,208</u>
\$	\$	\$	\$	\$	\$ 14,529	\$	\$
	5,480				966,647	1,104,588	845
	76,301	23,567					
<u>-0-</u>	<u>81,781</u>	<u>23,567</u>	<u>-0-</u>	<u>-0-</u>	<u>981,176</u>	<u>1,104,588</u>	<u>845</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
						974,160	225,363
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>		<u>-0-</u>	<u>974,160</u>	<u>225,363</u>
<u>\$ -0-</u>	<u>\$ 81,781</u>	<u>\$ 23,567</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 981,176</u>	<u>\$ 2,078,748</u>	<u>\$ 226,208</u>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**AUGUST 31, 2015**

		480	482	483	484	Special 486
Data Control Codes		Lowe's Grants	PPCD Program	Region VI Professional Development	Fluor Industries Grant	PASS Grant
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>						
1110	Cash and cash equivalents	\$	\$	\$	\$	\$
1120	Investments					
1240	Receivables from other governments					
1250	Other receivables					
1260	Due from other funds	746	52,494		12,517	
1310	Inventories					
1000	Total assets	<u>746</u>	<u>52,494</u>	<u>-0-</u>	<u>12,517</u>	<u>-0-</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
1700	Deferred outflows of resources					
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	Total assets and deferred outflows of resources	<u>\$ 746</u>	<u>\$ 52,494</u>	<u>\$ -0-</u>	<u>\$ 12,517</u>	<u>\$ -0-</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
2110	Accounts payable	\$	\$	\$	\$	\$
2160	Accrued wages payable		1,929			
2170	Due to other funds		187			
2300	Unearned revenue				12,517	
2000	Total liabilities	<u>-0-</u>	<u>2,116</u>	<u>-0-</u>	<u>12,517</u>	<u>-0-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
1700	Deferred inflows of resources					
	Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>Fund Balances:</b>						
<b>Non-Spendable:</b>						
3410	Inventories					
<b>Restricted:</b>						
3450	Food service					
3480	Other	746	50,378			
3000	Total fund balances	<u>746</u>	<u>50,378</u>	<u>-0-</u>	<u>-0-</u>	
4000	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 746</u>	<u>\$ 52,494</u>	<u>\$ -0-</u>	<u>\$ 12,517</u>	<u>\$ -0-</u>

Revenue Funds			
490	496	498	
Dow Education Grants	Houston Saengerbund	Old BISD Education Foundation	Total Nonmajor Governmental (See C-2)
\$	\$	\$	\$ 1,636,453
			143,561
			2,446,661
			50,714
10,676	948	4,365	3,928,838
			76,209
<u>10,676</u>	<u>948</u>	<u>4,365</u>	<u>8,282,436</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 10,676</u>	<u>\$ 948</u>	<u>\$ 4,365</u>	<u>\$ 8,282,436</u>
\$	\$	\$	\$ 296,597
			319,332
93		252	5,147,100
	948		82,592
<u>93</u>	<u>948</u>	<u>252</u>	<u>5,845,621</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
			76,209
			1,095,263
10,583		4,113	1,265,343
<u>10,583</u>	<u>-0-</u>	<u>4,113</u>	<u>2,436,815</u>
<u>\$ 10,676</u>	<u>\$ 948</u>	<u>\$ 4,365</u>	<u>\$ 8,282,436</u>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED AUGUST 31, 2015**

Data Control Codes		Special				
		211	224	225	226	240
		ESEA, Title I Part A	IDEA - Part B, Formula	IDEA - Part B, Preschool	IDEA Part B, High Cost	Child Nutrition Program
	REVENUES:					
5700	Local and intermediate sources	\$ 1,084	\$ 296	\$	\$	\$ 2,046,967
5800	State program revenues					163,787
5900	Federal program revenues	<u>2,388,004</u>	<u>2,675,834</u>	<u>69,972</u>	<u>159,849</u>	<u>4,156,932</u>
5020	Total revenues	<u>2,389,088</u>	<u>2,676,130</u>	<u>69,972</u>	<u>159,849</u>	<u>6,367,686</u>
	EXPENDITURES:					
	Current:					
0011	Instruction	1,476,687	1,686,138	69,972	159,849	
0012	Instructional resources and media services					
0013	Curriculum and staff development	702,249	1,751			
0021	Instructional leadership	115,201	80,156			
0023	School leadership	8,024				
0031	Guidance, counseling and evaluation services		849,182			
0032	Social work services	36,054	58,903			
0035	Food service					6,763,757
0036	Extracurricular activities					
0041	General administration					
0051	Plant Maintenance and operations					
0053	Data processing services					
0061	Community services	<u>50,873</u>				
6030	Total expenditures	<u>2,389,088</u>	<u>2,676,130</u>	<u>69,972</u>	<u>159,849</u>	<u>6,763,757</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>( 396,071 )</u>
	OTHER FINANCING SOURCES (USES):					
7915	Operating transfers in					95,371
8911	Operating transfers out					
	Total other financing sources and (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>95,371</u>
1200	Net changes in fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>( 300,700 )</u>
0100	Fund balances - beginning					<u>1,472,172</u>
3000	Fund balances - ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,171,472</u>



Revenue Funds

244	255	263	289	385	410	461	472
Career & Technical Basic Grant	ESEA, Title II Part A	ESEA, Title III, Part A	ESL Summer Program	Orientation & Mobility Program	Instructional Materials Allotment	Campus Activity Funds	New BISD Education Foundation
\$ 191	\$	\$ 1	\$	\$	\$	\$ 1,112,432	\$ 397,490
130,509	418,298	109,467	5,533	8,658	1,929,288		
130,700	418,298	109,468	5,533	8,658	1,929,288	1,112,432	397,490
128,500		3,900	5,533	8,658	1,937,262		28,620
2,200	394,262 16,990 7,046	101,513 1,773 2,000					
						1,104,588	
							54,623 15,227 3,047
		282					
130,700	418,298	109,468	5,533	8,658	1,937,262	1,104,588	101,517
					( 7,974 )	7,844	295,973
-0-	-0-	-0-	-0-	-0-	-0-	-0-	( 70,610 )
							( 70,610 )
-0-	-0-	-0-	-0-	-0-	( 7,974 )	7,844	225,363
					7,974	966,316	
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 974,160	\$ 225,363

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED AUGUST 31, 2015**

		480	482	483	484	Special 486
Data Control Codes		Lowe's Grants	PPCD Program	Region VI Professional Development	Fluor Industries Grant	PASS Grant
REVENUES:						
5700	Local and intermediate sources	\$	\$ 29,527	\$ 14,206	\$	\$ 72,277
5800	State program revenues					
5900	Federal program revenues					
5020	Total revenues	<u>-0-</u>	<u>29,527</u>	<u>14,206</u>	<u>-0-</u>	<u>72,277</u>
EXPENDITURES:						
Current:						
0011	Instruction	407	47,982	14,206		72,277
0012	Instructional resources and media services					
0013	Curriculum and staff development					
0021	Instructional leadership					
0023	School leadership					
0031	Guidance, counseling and evaluation services					
0032	Social work services					
0035	Food service					
0036	Extracurricular activities					
0041	General administration					
0051	Plant maintenance and operations					
0053	Data processing					
0061	Community services					
6030	Total expenditures	<u>407</u>	<u>47,982</u>	<u>14,206</u>	<u>-0-</u>	<u>72,277</u>
1100	Excess (deficiency) of revenues over expenditures	<u>( 407 )</u>	<u>( 18,455 )</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
OTHER FINANCING SOURCES (USES):						
7915	Operating transfers in					
8911	Operating transfers out					
	Total other financing sources and (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1200	Net changes in fund balances	<u>( 407 )</u>	<u>( 18,455 )</u>			
0100	Fund balances - beginning	<u>1,153</u>	<u>68,833</u>			
3000	Fund balances - ending	<u>\$ 746</u>	<u>\$ 50,378</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Revenue Funds			
490	496	498	
Dow Education Grants	Houston Saengerbund	Old BISD Education Foundation	Total Nonmajor Governmental (See C-2)
\$ 51,151	\$ 2,065	\$	\$ 3,727,687
			2,101,733
			<u>10,114,398</u>
<u>51,151</u>	<u>2,065</u>	<u>-0-</u>	<u>15,943,818</u>
34,104	2,065	252	5,676,412
8,937			8,937
2,995			1,204,970
			214,120
			17,070
			849,182
			94,957
			6,763,757
			1,104,588
			54,623
			15,227
			3,047
		<u>1,370</u>	<u>52,525</u>
<u>46,036</u>	<u>2,065</u>	<u>1,622</u>	<u>16,059,415</u>
<u>5,115</u>	<u>-0-</u>	<u>( 1,622 )</u>	<u>( 115,597 )</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	95,371
			<u>( 70,610 )</u>
			<u>24,761</u>
5,115	-0-	( 1,622 )	( 90,836 )
<u>5,468</u>	<u>-0-</u>	<u>5,735</u>	<u>2,527,651</u>
<u>\$ 10,583</u>	<u>\$ -0-</u>	<u>\$ 4,113</u>	<u>\$ 2,436,815</u>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**AUGUST 31, 2015**

*Exhibit H-3*  
*Page 1 of 1*

<u>Data Control Codes</u>		<u>Dental Plan</u>	<u>Worker's Compensation</u>	<u>Total (See D-1)</u>
	ASSETS:			
	Current Assets:			
1110	Cash and cash equivalents	\$ 644,895	\$ 1,882,450	\$ 2,527,345
1290	Other receivables (net)	72		72
1410	Prepaid items		45,560	45,560
	Total current assets	644,967	1,928,010	2,572,977
	DEFERRED OUTFLOWS OF RESOURCES:			
1700	Deferred outflows of resources			-0-
	Total deferred outflows of resources	-0-	-0-	-0-
	Total assets and deferred outflows of resources	<u>\$ 644,967</u>	<u>\$ 1,928,010</u>	<u>\$ 2,572,977</u>
	LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:			
	Liabilities:			
2165	Accrued expenses payable	52,563	189,597	242,160
	Total liabilities	52,563	189,597	242,160
	DEFERRED INFLOWS OF RESOURCES:			
2600	Deferred inflows of resources			-0-
	Total deferred inflows of resources	-0-	-0-	-0-
	NET POSITION:			
3900	Unrestricted net position	592,404	1,738,413	2,330,817
	Total net position	592,404	1,738,413	2,330,817
	Total liabilities, deferred inflows of resources and net position	<u>\$ 644,967</u>	<u>\$ 1,928,010</u>	<u>\$ 2,572,977</u>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION - INTERNAL SERVICE FUNDS**  
**YEAR ENDED AUGUST 31, 2015**

*Exhibit H-4*  
*Page 1 of 1*

	<u>Dental Plan</u>	<u>Worker's Compensation</u>	<u>Total (See D-2)</u>
Operating Revenues:			
Charges for services	\$ <u>566,657</u>	\$ <u>460,469</u>	\$ <u>1,027,126</u>
Total operating revenues	<u>566,657</u>	<u>460,469</u>	<u>1,027,126</u>
Operating Expenses:			
Insurance claims and expenses	<u>578,928</u>	<u>254,987</u>	<u>833,915</u>
Total operating expenses	<u>578,928</u>	<u>254,987</u>	<u>833,915</u>
Operating income (loss)	<u>( 12,271 )</u>	<u>205,482</u>	<u>193,211</u>
Nonoperating Revenues:			
Interest and investment revenue	<u>159</u>	<u>450</u>	<u>609</u>
Total nonoperating revenues	<u>159</u>	<u>450</u>	<u>609</u>
Change in net position	<u>( 12,112 )</u>	<u>205,932</u>	<u>193,820</u>
Net position – beginning	<u>604,516</u>	<u>1,532,481</u>	<u>2,136,997</u>
Net position – ending	<u>\$ 592,404</u>	<u>\$ 1,738,413</u>	<u>\$ 2,330,817</u>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED AUGUST 31, 2015**

*Exhibit H-5*  
*Page 1 of 1*

	<u>Dental Plan</u>	<u>Worker's Compensation</u>	<u>Total (See D-3)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 566,585	\$ 460,469	\$ 1,027,054
Claims paid	( 563,519)	( 329,278)	( 892,797)
Net cash provided by operating activities	<u>3,066</u>	<u>131,191</u>	<u>134,257</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Net cash provided (used) by noncapital financing activities	<u>          </u>	<u>          </u>	<u>-0-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Net cash provided (used) by capital and related financing activities	<u>          </u>	<u>          </u>	<u>-0-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	<u>159</u>	<u>450</u>	<u>609</u>
Net cash provided by investing activities	<u>159</u>	<u>450</u>	<u>609</u>
Net increase in cash and cash equivalents	3,225	131,641	134,866
Balances – beginning of the year	<u>641,670</u>	<u>1,750,809</u>	<u>2,392,479</u>
Balances – end of the year	<u>\$ 644,895</u>	<u>\$ 1,882,450</u>	<u>\$ 2,527,345</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income	\$( 12,271)	\$ 205,482	\$ 193,211
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Changes in Assets and Liabilities:			
Other receivables	( 72)		( 72)
Accrued expenses payable	15,409	( 70,593)	( 55,184)
Prepaid items	<u>          </u>	<u>( 3,698)</u>	<u>( 3,698)</u>
Net cash provided by operating activities	<u>\$ 3,066</u>	<u>\$ 131,191</u>	<u>\$ 134,257</u>

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**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**  
**YEAR ENDED AUGUST 31, 2015**

Last Ten Years Ended August 31,	1		2		3		10	
	Tax Rates				Assessed/Appraised Value for School Tax Purposes		Beginning Balance September 1, 2014	
	Maintenance	Debt Service						
2005 and Prior	\$ Various	\$ Various	\$	Various	\$	Various	\$	148,573
2006	1.362600	0.210200			6,167,488,798			45,396
2007	1.228200	0.195500			6,422,002,991			48,680
2008	0.948400	0.185500			6,785,512,912			48,604
2009	1.010000	0.182200			7,328,104,426			56,682
2010	1.040000	0.188500			6,666,775,818			56,633
2011	1.040000	0.201500			6,238,933,790			71,326
2012	1.040000	0.201500			6,068,476,601			237,416
2013	1.040000	0.219500			6,431,912,070			315,835
2014	1.040000	0.215300			6,409,126,185			495,150
2015 (School Year Under Audit)	1.040000	0.215300			6,933,187,931			
1000 Totals							\$	<u>1,524,295</u>



20	31	32	40	50
Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance August 31, 2015
\$	\$ 6,591	\$ 388	\$( 9,261)	\$ 132,333
	1,348	208	( 156)	43,684
	2,974	473	( 382)	44,851
	3,487	682	( 1,508)	42,927
	3,773	681	( 1,618)	50,610
	5,070	919	( 790)	49,854
	16,880	3,270	2,087	53,263
	32,401	6,278	1,807	200,544
	53,829	11,361	( 143)	250,502
	225,384	46,659	( 39,446)	183,661
<u>82,329,382</u>	<u>69,273,581</u>	<u>14,340,963</u>	<u>1,818,010</u>	<u>532,848</u>
<u>\$ 82,329,382</u>	<u>\$ 69,625,318</u>	<u>\$ 14,411,882</u>	<u>\$ 1,768,600</u>	<u>\$ 1,585,077</u>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET**  
**GENERAL FUND**  
**AUGUST 31, 2015**  
**UNAUDITED**

Exhibit J-3  
Page 1 of 1

Data Control Code	Explanation	Amount
1	Total General Fund Balance as of 08/31/15 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>30,287,726</u>
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	1,353,352
3	Total Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	2,060,000
4	Total Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	750,000
5	Total Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	5,000,000
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds representing deferred revenues)	8,522,542
7	Estimate of two months' average cash disbursements during the regular School session (9/1/14 – 5/31/15)	15,740,121
8	Estimate of delayed payments from state sources (58XX)	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	
10	Estimate of delayed payments from federal sources (59XX)	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	
12	Optimum fund balance and cash flow (2+3+4+5+6+7+8+9+10+11)	<u>33,426,015</u>
13	Excess (deficit) unassigned General Fund fund balance (1- 12)	\$( <u>3,138,289</u> )

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL – CHILD NUTRITION PROGRAM SPECIAL REVENUE FUND  
YEAR ENDED AUGUST 31, 2015**

Exhibit J-4  
Page 1 of 1

Data Control Codes		Child Nutrition Program Special Revenue Fund			
		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 2,110,000	\$ 2,110,000	\$ 2,046,967	\$( 63,033)
5800	State program revenues	39,811	240,395	163,787	( 76,608)
5900	Federal program revenues	<u>4,058,000</u>	<u>4,468,000</u>	<u>4,156,932</u>	<u>( 311,068)</u>
5020	Total revenues	<u>6,207,811</u>	<u>6,818,395</u>	<u>6,367,686</u>	<u>( 450,709)</u>
	EXPENDITURES:				
	Current:				
0035	Food service	<u>6,207,811</u>	<u>6,906,591</u>	<u>6,763,757</u>	<u>142,834</u>
6030	Total expenditures	<u>6,207,811</u>	<u>6,906,591</u>	<u>6,763,757</u>	<u>142,834</u>
1100	Excess (deficiency) of revenues over expenditures	-0-	( 88,196)	( 396,071)	( 307,875)
	OTHER FINANCING SOURCES (USES):				
7912	Sale of real and personal property				-0-
7915	Operating transfers in		<u>88,196</u>	<u>95,371</u>	<u>7,175</u>
	Total other financing sources (uses)	<u>-0-</u>	<u>88,196</u>	<u>95,371</u>	<u>7,175</u>
1200	Net change in fund balances	-0-	-0-	( 300,700)	( 300,700)
0100	Fund balances – beginning	<u>1,472,172</u>	<u>1,472,172</u>	<u>1,472,172</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 1,472,172</u>	<u>\$ 1,472,172</u>	<u>\$ 1,171,472</u>	<u>\$( 300,700)</u>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - DEBT SERVICE FUND**  
**YEAR ENDED AUGUST 31, 2015**

Exhibit J-5  
Page 1 of 1

Data Control Codes		Debt Service Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 14,774,235	\$ 14,774,235	\$ 15,140,201	\$ 365,966
5020	Total revenues	<u>14,774,235</u>	<u>14,774,235</u>	<u>15,140,201</u>	<u>365,966</u>
	EXPENDITURES:				
	Current:				
0071	Principal on long-term debt	11,564,581	11,569,581	10,790,000	779,581
0072	Interest on long-term debt	3,120,031	3,120,031	3,120,031	-0-
0073	Bond issuance costs and fees	<u>191,221</u>	<u>857,880</u>	<u>679,768</u>	<u>178,112</u>
6030	Total expenditures	<u>14,875,833</u>	<u>15,547,492</u>	<u>14,589,799</u>	<u>957,693</u>
1100	Excess (deficiency) of revenues over expenditures	( 101,598)	( 773,257)	550,402	1,323,659
	OTHER FINANCING SOURCES (USES):				
7911	Sale of bonds		<u>671,659</u>	<u>671,259</u>	( 400)
	Total other financing sources and (uses)	<u>-0-</u>	<u>671,659</u>	<u>671,259</u>	<u>( 400)</u>
1200	Net change in fund balances	( 101,598)	( 101,598)	1,221,661	1,323,259
0100	Fund balances – beginning	<u>15,044,042</u>	<u>15,044,042</u>	<u>15,044,042</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 14,942,444</u>	<u>\$ 14,942,444</u>	<u>\$ 16,265,703</u>	<u>\$ 1,323,259</u>

**FEDERAL AWARDS SECTION**

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# Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

**Lake Jackson Office:**  
8 West Way Court  
Lake Jackson, Texas 77566  
979-297-4075

**El Campo Office:**  
201 W. Webb  
El Campo, Texas 77437  
979-543-6836

**Houston Office:**  
10850 Richmond Ave., Suite 135  
Houston, Texas 77042  
281-974-3416

## Independent Auditor's 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  
Brazosport Independent School District  
Freeport, Texas 77541

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 Brazosport Independent School District (the "District"), as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 2015.

### **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.

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kennemer, Masters & Hunford, LLC*

Lake Jackson, Texas  
December 16, 2015



# Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

**Lake Jackson Office:**  
8 West Way Court  
Lake Jackson, Texas 77566  
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**Houston Office:**  
10850 Richmond Ave., Suite 135  
Houston, Texas 77042  
281-974-3416

## Independent Auditor's Report

On Compliance for Each Major Program and on Internal Control Over Compliance Required by  
OMB Circular A-133

To the Board of Trustees  
Brazosport Independent School District  
Freeport, Texas 77541

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

We have audited Brazosport Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2015. The District's major federal programs are identified in the summary of auditor's 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.

#### ***Auditor's 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 contained in OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

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## 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 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 OMB Circular A-133, 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 the 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 consider 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 requirement of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Kennemer, Masters & Hunsford, LLC*

Lake Jackson, Texas  
December 16, 2015

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED AUGUST 31, 2015**

I. Summary of auditor's results:

1. Type of auditor's report issued on the financial statements: Unmodified.
2. No internal control findings, required to be reported in this schedule, were disclosed in the audit of the financial statements.
3. Noncompliance, which is material to the financial statements: None
4. No internal control findings, required to be reported in this schedule, were disclosed in the audit of the major programs.
5. Type of auditor's report on compliance for major programs: Unmodified.
6. Did the audit disclose findings, which are required to be reported under Sec. 510(a): No.
7. Major programs include:
  - National School Lunch Program Cluster:
    - 10.553 National School Breakfast Program
    - 10.555 National School Lunch Program
    - 10.555 U.S.D.A. Commodities
    - 10.555 Healthier United States School Challenge
8. Dollar threshold used to distinguish between Type A and Type B programs: \$ 322,322.
9. Low risk auditee: Yes.

II. Findings related to the financial statements

The audit disclosed no findings required to be reported.

III. Findings and questioned costs related to the federal awards.

The audit disclosed no findings required to be reported.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF STATUS OF PRIOR FINDINGS*  
*YEAR ENDED AUGUST 31, 2015*

None.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*CORRECTIVE ACTION PLAN*  
*YEAR ENDED AUGUST 31, 2015*

None.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED AUGUST 31, 2015**

*EXHIBIT K-1*  
*PAGE 1 OF 2*

(1)	(2)	(2A)	(3)
Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures Indirect Costs or Award Amount
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA, Title I, Part A - Improving Basic Programs*	84.010A	14610101020905	\$ 29
ESEA, Title I, Part A - Improving Basic Programs*	84.010A	15610101020905	1,973,134
ESEA, Title I, Part A - Improving Basic Programs*	84.010A	16610101020905	134,577
ESEA, Title I, Part A - Priority and Focus Programs*	84.010A	14610112020905104	4,290
ESEA, Title I, Part A - Priority and Focus Programs*	84.010A	14610112020905106	7,583
ESEA, Title I, Part A - Priority and Focus Programs*	84.010A	14610112020905110	373
ESEA, Title I, Part A - Priority and Focus Programs*	84.010A	14610112020905114	5,844
ESEA, Title I, Part A - Priority and Focus Programs*	84.010A	14610112020905116	2,865
ESEA, Title I, Part A - Priority and Focus Programs*	84.010A	15610112020905104	22,985
ESEA, Title I, Part A - Priority and Focus Programs*	84.010A	15610112020905106	21,850
ESEA, Title I, Part A - Priority and Focus Programs*	84.010A	15610112020905110	199,677
ESEA, Title I, Part A - Priority and Focus Programs*	84.010A	15610112020905114	16,732
ESEA, Title I, Part A - Priority and Focus Programs*	84.010A	15610112020905116	<u>20,904</u>
			<u>2,410,843</u>
IDEA - Part B, Formula **	84.027	156600010209056600	2,582,729
IDEA - Part B, Formula **	84.027	166600010209056600	<u>119,121</u>
			<u>2,701,850</u>
IDEA - Part B, Preschool **	84.173	156610010209056610	67,016
IDEA - Part B, Preschool **	84.173	166610010209056610	<u>2,956</u>
			<u>69,972</u>
IDEA - Part B, High Cost**	84.027	156600060209056680	<u>159,849</u>
			<u>159,849</u>
Vocational Education - Basic Grant	84.048	1442000602090504	<u>130,509</u>
			<u>130,509</u>
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	14671001020905	222
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	15671001020905	<u>109,246</u>
			<u>109,468</u>
ESEA, Title II, Part A - Teacher/Principal Training and Recruiting	84.367A	15694501020905	374,884
ESEA, Title II, Part A - Teacher/Principal Training and Recruiting	84.367A	16694501020905	<u>43,414</u>
			<u>418,298</u>
English Second Language (ESL) - Summer School Program	84.369A	069551402	<u>5,533</u>
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ <u>6,006,322</u></b>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED AUGUST 31, 2015**

*EXHIBIT K-1*  
*PAGE 2 OF 2*

(1)	(2)	(2A)	(3)
Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures Indirect Costs or Award Amount
<u>U.S. Department of Agriculture</u>			
Direct Program:			
Commodity Supplement Program ***	10.555	020905	\$ 496,528
Healthier School Challenge ***	10.555	020905	<u>10,000</u>
			<u>506,528</u>
Passed Through State Department of Education:			
School Breakfast Program ***	10.553	71401301	908,677
National School Lunch Program ***	10.555	71301301	<u>3,241,727</u>
			<u>4,150,404</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 4,656,932</u>
<u>U.S. Department of Defense</u>			
Direct Programs:			
ROTC	12.000	-	\$ <u>63,963</u>
TOTAL DEPARTMENT OF DEFENSE			<u>\$ 63,963</u>
<u>U.S. Department of Health &amp; Human Services</u>			
Passed Through State Department of Human Services:			
Medicaid Administrative Claiming Program – MAC	93.778	-	\$ <u>16,852</u>
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES			<u>\$ 16,852</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 10,744,069</u>
*, **, *** - Cluster Programs			
RECONCILIATION:			
Federal Program Revenues (Exhibit C-2)			\$ 11,806,735
Less: School Health and Related Services (SHARS) not considered federal revenue for the Schedule of Federal Awards			( 682,982)
Build America Bonds not considered federal revenue for the Schedule of Federal Awards			<u>( 379,684)</u>
Total federal financial assistance (Schedule of expenditures of Federal Awards)			<u>\$ 10,744,069</u>

See notes to supplemental Schedule of Expenditures of Federal Awards

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS*  
*YEAR ENDED AUGUST 31, 2015*

**NOTE 1 – BASIS OF ACCOUNTING**

The District accounts for all awards under federal programs in the General and certain special revenue funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current position.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e. both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally unused balances are returned to the grantor at the close of specified project periods.

Commodity Supplement (CFDA 10.555) received like kind goods and no grant revenue received was reported on the schedule for the monetary value of these goods. The monetary value of goods received was \$ 478,133, while the monetary value of goods used and recognized as income and expenditures was \$ 496,528.

**NOTE 2 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.