



ANNUAL FINANCIAL
AND
COMPLIANCE REPORT

YEAR ENDED AUGUST 31, 2016

BRADY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2016

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CERTIFICATE OF BOARD

Brady
Independent School District
Name of School District

McCulloch
County

160-901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and approved _____ disapproved _____ for the year ended August 31, 2016, at a meeting of the Board of Trustees of such school district on the _____ day of _____, 2016.

Signature of Board Secretary

Signature of Board President

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Brady Independent School District

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brady Independent School District (the District) as of and for the year ended August 31, 2016, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of August 31, 2016, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents on pages 3 through 9 and pages 37 through 40 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 combining nonmajor fund financial statements and the TEA required schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dennis Kinard & Co., PC
Certified Public Accountants

Abilene, Texas
December 13, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Brady Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2016. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL STATEMENT HIGHLIGHTS

- The District's total combined net position was \$11,467,502 at August 31, 2016 of which \$4,026,261 was unrestricted.
- During the year, the District's expenses were \$31,641 less than the \$16,477,752 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$5,465,736 of which \$3,560,394 is subject to use at the District's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and *other supplementary information* that presents combining statements for nonmajor governmental funds and other TEA required schedules.

The basic financial statements include two kinds of statements that present different views of the District:

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

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The notes are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the required supplementary information. The Texas Education Agency also requires certain schedules be included as other supplementary information. The following summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Major Features of the District's Government-wide and Fund Financial Statements

| Type of Statement | Government-wide | Governmental Funds | Fiduciary Funds |
|--|--|---|--|
| Scope | Entire District's (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary | Instances in which the District is the trustee or agent for someone else's accounts |
| Required financial statements | Statement of net position Statement of activities | Balance sheet Statement of revenues expenditures & changes in fund balances | Statement of fiduciary net position Statement of changes in fiduciary net position |
| Accounting basis and measurement focus | Accrual accounting and economic measurement focus | Modified accrual accounting and current financial measurement focus | Accrual accounting and economic measurement focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or 60 days thereafter, no capital assets included | All assets and liabilities, both short-term and long-term |
| Type of in flow/out flow Information | All revenues and expenses during the year, regardless of when cash is received or paid | Revenues for which cash is received during the year or 60 days after the end of year, expenditures when goods or services have been received and payment is due during the year or 60 days thereafter | All revenues and expenses during the year, regardless of when cash is received or paid |

Government-Wide Statements

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

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

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

The government-wide financial statements of the District include:

- *Governmental activities* – Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes, state aid, and grants finance most of these activities.

Fund Financial Statements

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

- Some funds are required by State law or by bond covenants.
- The Board of Trustees established other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE – GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net position. The District’s *combined* net position was \$11,467,502 at August 31, 2016.

| | Governmental Activities | |
|---|-----------------------------|-----------------------------|
| | 2016 | 2015 |
| Current and Other Assets | \$ 8,130,373 | \$ 7,611,818 |
| Capital Assets | <u>22,987,746</u> | <u>23,457,963</u> |
| Total Assets | 31,118,119 | 31,069,781 |
| Deferred Outflows for Refunding | 681,028 | 732,711 |
| Deferred Outflows - Pension | <u>1,357,816</u> | <u>613,736</u> |
| Total Deferred Outflows of Resources | 2,038,844 | 1,346,447 |
| Current Liabilities | 1,208,106 | 1,044,361 |
| Long-Term Liabilities | <u>20,279,557</u> | <u>19,564,859</u> |
| Total Liabilities | 21,487,663 | 20,609,220 |
| Deferred Inflows - Pensions | 201,798 | 371,147 |
| Net investment in capital assets | 6,101,273 | 5,839,099 |
| Restricted for Federal and State Programs | 7,518 | 7,031 |
| Restricted for Debt Service | 1,332,450 | 1,225,776 |
| Unrestricted | <u>4,026,261</u> | <u>4,363,955</u> |
| Total Net Position | \$ <u>11,467,502</u> | \$ <u>11,435,861</u> |

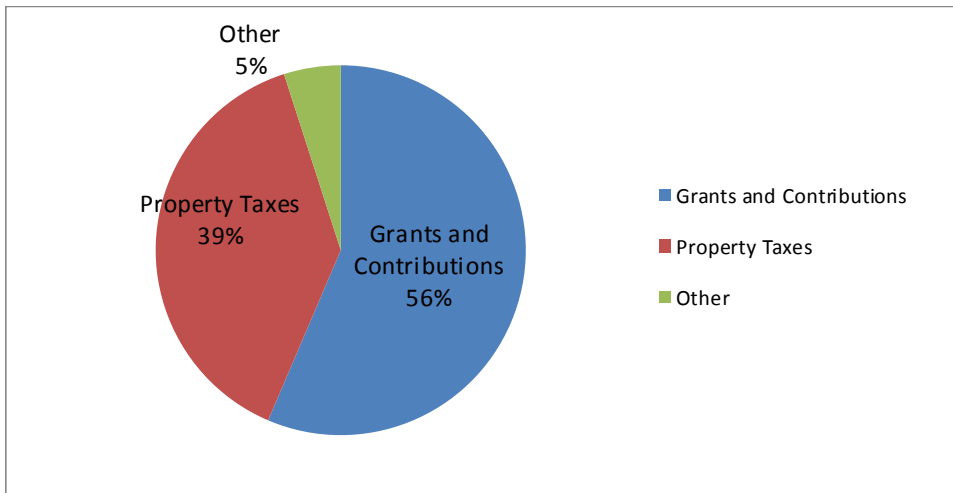
Net position of the District’s governmental activities increased 0.3% to \$11,467,502. Approximately 65% of the net position is either restricted as to the purposes for which they can be used or they are invested in capital assets. Unrestricted net position was \$4,026,261 at the end of this year.

Changes in net position. The District's total revenues were \$16,477,752 at August 31, 2016. (See the table below). In the 2016 fiscal year, 39% of the District's revenue came from property taxes, 36% came from state aid formula grants, and the remainder is from charges for services and federal grants.

The total cost of all programs and services was \$16,446,111 of which 48% was for direct instruction program costs. The District's expenses include instructional programs, campus leadership, guidance and counseling services, health services, student transportation, food services, general administration, plant maintenance and operations, security, interest on long-term debt, and other miscellaneous costs.

| | Governmental Activities | |
|--|-------------------------|---------------|
| | 2016 | 2015 |
| Revenues | | |
| <u>Program Revenues</u> | | |
| Charges for Services | \$ 272,616 | \$ 285,826 |
| Grants for Specific Purposes | 3,403,001 | 3,306,810 |
| <u>General Revenues</u> | | |
| Property Taxes | 6,364,755 | 6,231,579 |
| State Aid - Formula Grants | 5,892,581 | 5,928,362 |
| Investment Earnings | 86,970 | 81,224 |
| Miscellaneous Local and Intermediate Revenue | 457,829 | 94,668 |
| Total Revenues | 16,477,752 | 15,928,469 |
| Expenses | | |
| Instruction | 7,950,437 | 7,342,636 |
| Instructional Resources and Media Services | 207,055 | 195,876 |
| Curriculum and Staff Development | 115,738 | 111,941 |
| Instructional Leadership | 255,246 | 218,204 |
| School Leadership | 852,799 | 755,830 |
| Guidance Counseling and Evaluation Services | 711,734 | 618,791 |
| Social Work Services | 71,840 | 44,341 |
| Health Services | 116,575 | 114,114 |
| Student Transportation | 481,613 | 546,264 |
| Food Services | 968,710 | 833,189 |
| Extracurricular Activities | 1,113,038 | 983,410 |
| General Administration | 673,631 | 462,621 |
| Facilities Maintenance and Operations | 1,318,063 | 1,285,589 |
| Security and Monitoring Services | 14,528 | 8,461 |
| Data Processing Services | 243,675 | 231,252 |
| Community Services | 2,119 | 5,238 |
| Debt Service - Interest on Long Term Debt | 706,615 | 593,087 |
| Debt Service - Bond Issuance Costs and Fees | 1,356 | 229,059 |
| Payments Related to Shared Services Arrangements | 445,130 | 432,171 |
| Other Intergovernmental Charges | 196,209 | 189,095 |
| Total Expenses | 16,446,111 | 15,201,169 |
| Increase in Net Position | 31,641 | 727,300 |
| Beginning Net Position | 11,435,861 | 12,083,218 |
| Prior Period Adjustment | - | (1,374,657) |
| Ending Net Position | \$ 11,467,502 | \$ 11,435,861 |

A significant portion, 56%, of the District's revenues comes from grants, 39% comes from property taxes, while 5% percent is obtained from other sources of revenue; see table below.



GOVERNMENTAL FUND FINANCIAL STATEMENT ANALYSIS

- Of the total \$375,126 increase in the District's equity base, an increase of \$266,440 is attributable to the General Fund, an increase of \$106,674 is attributable to the Debt Service Fund, and \$2,012 is attributable to the nonmajor governmental funds.
- In the General Fund, revenues exceeded expenditures by \$316,261, before other financing sources and uses, net.
- The District's 2015-2016 General Fund revenues increased \$305,917 from the prior year. Local revenues increased \$321,089, state allocations decreased \$15,938, and federal revenues increased \$766.
- The District's 2015-2016 General Fund expenditures increased \$528,428. The increase was due primarily to extracurricular activities and general administration expenditures.

GOVERNMENTAL FUNDS BUDGETARY ANALYSIS

The District's original budget for the General Fund did not estimate revenues to exceed expenditures and other uses. Over the course of the year, the District amended its budget as needed and projected expenditures and other uses to exceed revenues and other sources by \$431,387.

At fiscal year end, the actual net change in fund balance in the General Fund was an increase of \$266,440. Increases in local revenues due to increased property tax collections and increased state program revenues resulted in a significant portion of the increase. As of August 31, 2016, ending fund balance in the General Fund had increased by \$266,440. The District committed \$1,219,817 for construction, \$194,072 for capital expenditures for equipment and \$280,000 for future salaries.

The District's original budget for the Child Nutrition Fund did not estimate revenues to exceed expenditures and other uses. Over the course of the year, the District amended its budget as needed and projected expenditures and other uses to exceed revenues and other sources by \$4,546. At fiscal year-end, actual operations for this fund resulted in an increase to fund balance of \$2,012 at August 31, 2016.

In the Debt Service Fund, the original and final budget projected revenues to cover debt service expenditures. At August 31, 2016, this fund's revenues and other sources exceeded expenditures and other uses by \$106,674.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the District had invested \$41,327,945 in a broad range of capital assets, including land, equipment, and buildings. Accumulated depreciation on these assets was \$18,340,199 at year-end. The net amount of capital assets represents a net decrease of \$470,217 over last year. Asset additions totaled \$516,585 but were offset by disposals of \$252,024 and an accumulated depreciation increase of \$734,778. The District's capital additions were attributable primarily to a new track and vehicle purchases. More detailed information about the District's capital assets is presented in Note 6 to the financial statements.

| | <u>2016</u> | <u>2015</u> |
|--------------------------------|----------------------|----------------------|
| Land | \$ 574,745 | \$ 574,745 |
| Buildings and Improvements | 37,283,925 | 37,358,413 |
| Furniture/Equipment/Vehicles | 3,469,275 | 3,130,226 |
| Total | <u>41,327,945</u> | <u>41,063,384</u> |
| Total Accumulated Depreciation | <u>(18,340,199)</u> | <u>(17,605,421)</u> |
| Net Capital Assets | <u>\$ 22,987,746</u> | <u>\$ 23,457,963</u> |

District's Long-Term Debt

At year-end the District had \$17,535,294 in bonds outstanding. The District entered into a new capital lease for \$47,145 during 2016 and paid \$14,938 in principal, leaving a balance at year-end of \$32,207. More detailed information about the District's bonded debt and capital lease obligation is presented in Note 7 to the financial statements.

| | <u>2016</u> | <u>2015</u> |
|--------------------------|----------------------|----------------------|
| General Obligation Bonds | \$ 16,415,000 | \$ 17,175,000 |
| Unamortized Bond Premium | 1,120,294 | 1,176,575 |
| Capital Leases | 32,207 | - |
| Net Pension Liability | 2,712,056 | 1,213,284 |
| Total | <u>\$ 20,279,557</u> | <u>\$ 19,564,859</u> |

- ❖ The District is not aware of any currently known facts, decisions or conditions that are expected to have a significant effect on the District's financial position or results of operations.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Financial Services Office.

GOVERNMENT WIDE FINANCIAL STATEMENTS

BRADY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2016

EXHIBIT A-1

| Data Control Codes | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| 1110 Cash and Cash Equivalents | \$ 3,411,493 |
| 1120 Current Investments | 3,697,962 |
| 1220 Property Taxes Receivable (Delinquent) | 174,505 |
| 1230 Allowance for Uncollectible Taxes | (59,467) |
| 1240 Due from Other Governments | 555,573 |
| 1290 Other Receivables | 137,139 |
| 1410 Prepaid Expenditures | 212,978 |
| 1490 Other Current Assets | 190 |
| Capital Assets: | |
| 1510 Land | 574,745 |
| 1520 Buildings, Net | 21,492,905 |
| 1530 Furniture and Equipment, Net | 920,096 |
| 1000 Total Assets | <u>31,118,119</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| 1701 Deferred Charge for Refunding | 681,028 |
| 1705 Deferred Outflows - Pension | 1,357,816 |
| 1700 Total Deferred Outflows of Resources | <u>2,038,844</u> |
| 1000a Total Assets and Deferred Outflows of Resources | <u>33,156,963</u> |
| LIABILITIES | |
| 2110 Accounts Payable | 45,293 |
| 2150 Payroll Deductions & Withholdings | (1,841) |
| 2160 Accrued Wages Payable | 481,390 |
| 2200 Accrued Expenses | 35,843 |
| 2300 Unearned Revenues | 647,421 |
| Noncurrent Liabilities | |
| 2501 Due Within One Year | 800,637 |
| 2502 Due in More Than One Year | 15,630,000 |
| 2516 Premium & Discount on Issuance of Bonds | 1,120,294 |
| 2540 Net Pension Liabilities | 2,712,056 |
| 2590 Other Long Term Payables | 16,570 |
| 2000 Total Liabilities | <u>21,487,663</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| 2605 Deferred Inflows - Pension | <u>201,798</u> |
| 2600 Total Deferred Inflows of Resources | <u>201,798</u> |
| NET POSITION | |
| 3200 Net Investment in Capital Assets | 6,101,273 |
| 3820 Restricted for Federal and State Programs | 7,518 |
| 3850 Restricted for Debt Service | 1,332,450 |
| 3900 Unrestricted | 4,026,261 |
| 3000 Total Net Position | <u>\$ 11,467,502</u> |

The accompanying notes are an integral part of this statement.

BRADY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT B-1

| Data Control Codes | 1 Expenses | Program Revenues | | 6 Primary Gov. Governmental Activities |
|---|----------------------|----------------------------------|---|---|
| | | 3 Charges for Services | 4 Operating Grants and Contributions | |
| GOVERNMENTAL ACTIVITIES: | | | | |
| 11 Instruction | \$ 7,950,437 | \$ 59,714 | \$ 1,663,619 | \$ (6,227,104) |
| 12 Instructional Resources and Media Services | 207,055 | - | 11,289 | (195,766) |
| 13 Curriculum and Staff Development | 115,738 | - | 51,651 | (64,087) |
| 21 Instructional Leadership | 255,246 | - | 185,814 | (69,432) |
| 23 School Leadership | 852,799 | - | 59,081 | (793,718) |
| 31 Guidance, Counseling, and Evaluation Services | 711,734 | - | 467,234 | (244,500) |
| 32 Social Work Services | 71,840 | - | 59,134 | (12,706) |
| 33 Health Services | 116,575 | - | 8,528 | (108,047) |
| 34 Student (Pupil) Transportation | 481,613 | - | 23,524 | (458,089) |
| 35 Food Services | 968,710 | 163,443 | 555,972 | (249,295) |
| 36 Extracurricular Activities | 1,113,038 | 48,809 | 34,033 | (1,030,196) |
| 41 General Administration | 673,631 | - | 30,021 | (643,610) |
| 51 Facilities Maintenance and Operations | 1,318,063 | 650 | 58,078 | (1,259,335) |
| 52 Security and Monitoring Services | 14,528 | - | - | (14,528) |
| 53 Data Processing Services | 243,675 | - | 24,945 | (218,730) |
| 61 Community Services | 2,119 | - | 2,006 | (113) |
| 72 Debt Service - Interest on Long Term Debt | 706,615 | - | 50,072 | (656,543) |
| 73 Debt Service - Bond Issuance Costs and Fees | 1,356 | - | - | (1,356) |
| 93 Payments Related to Shared Services Arrangements | 445,130 | - | 118,000 | (327,130) |
| 99 Other Intergovernmental Charges | 196,209 | - | - | (196,209) |
| TG Total Governmental Activities | 16,446,111 | 272,616 | 3,403,001 | (12,770,494) |
| [TP] TOTAL PRIMARY GOVERNMENT | \$ 16,446,111 | \$ 272,616 | \$ 3,403,001 | (12,770,494) |

| Data Control Codes | | Taxes: | |
|--------------------------|--|----------------------|--|
| MT | Property Taxes, Levied for General Purposes | 4,893,950 | |
| DT | Property Taxes, Levied for Debt Service | 1,470,805 | |
| SF | State Aid - Formula Grants | 5,892,581 | |
| IE | Investment Earnings | 86,970 | |
| MI | Miscellaneous Local and Intermediate Revenue | 457,829 | |
| TR | Total General Revenues | 12,802,135 | |
| CN | Change in Net Position | 31,641 | |
| NB | Net Position —Beginning | 11,435,861 | |
| NE | Net Position —Ending | \$ 11,467,502 | |

The accompanying notes are an integral part of this statement.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

BRADY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2016

| Data Control Codes | 10 General Fund | 50 Debt Service Fund |
|--|---------------------|-------------------------|
| ASSETS | | |
| 1110 Cash and Cash Equivalents | \$ 2,366,857 | \$ 551,362 |
| 1120 Investments - Current | 2,750,000 | 750,000 |
| 1220 Property Taxes - Delinquent | 134,311 | 40,194 |
| 1230 Allowance for Uncollectible Taxes (Credit) | (46,888) | (12,579) |
| 1240 Receivables from Other Governments | 431,834 | - |
| 1260 Due from Other Funds | 35,769 | - |
| 1290 Other Receivables | 106,051 | 31,088 |
| 1410 Prepaid Expenditures | 211,453 | - |
| 1490 Other Current Assets | 15 | - |
| 1000 Total Assets | <u>5,989,402</u> | <u>1,360,065</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| 1700 Deferred Outflows | - | - |
| 1000a Total Assets and Deferred Outflows | <u>\$ 5,989,402</u> | <u>\$ 1,360,065</u> |
| LIABILITIES | | |
| 2110 Accounts Payable | \$ 8,398 | \$ - |
| 2150 Payroll Deductions and Withholdings Payable | (1,841) | - |
| 2160 Accrued Wages Payable | 402,434 | - |
| 2170 Due to Other Funds | - | - |
| 2200 Accrued Expenditures | 7,537 | - |
| 2300 Unearned Revenues | 19,715 | - |
| 2000 Total Liabilities | <u>436,243</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| 2600 Unavailable Revenue - Property Taxes | 87,423 | 27,615 |
| Total Deferred Inflows of Resources | <u>87,423</u> | <u>27,615</u> |
| FUND BALANCES | | |
| 3430 Nonspendable - Prepaid Items | 211,453 | - |
| 3450 Restricted - Federal or State Funds Grant | - | - |
| 3480 Restricted - Debt Service | - | 1,332,450 |
| 3510 Committed - Construction | 1,219,817 | - |
| 3530 Committed - Capital Expenditures for Equipment | 194,072 | - |
| 3545 Committed - Other | 280,000 | - |
| 3600 Unassigned | 3,560,394 | - |
| 3000 Total Fund Balances | <u>5,465,736</u> | <u>1,332,450</u> |
| 4000 Total Liabilities, Deferred Inflows and Fund Balances | <u>\$ 5,989,402</u> | <u>\$ 1,360,065</u> |

The accompanying notes are an integral part of this statement.

| 437 SSA Special Education | 499 Local Special Education | Other Governmental Funds | Total Governmental Funds |
|------------------------------------|--------------------------------------|--------------------------------|--------------------------------|
| \$ 147,627 | \$ 309,942 | \$ 35,705 | \$ 3,411,493 |
| 159,374 | 38,588 | - | 3,697,962 |
| - | - | - | 174,505 |
| - | - | - | (59,467) |
| - | - | 123,739 | 555,573 |
| - | 7,904 | - | 43,673 |
| - | - | - | 137,139 |
| - | - | 1,525 | 212,978 |
| 175 | - | - | 190 |
| <u>307,176</u> | <u>356,434</u> | <u>160,969</u> | <u>8,174,046</u> |
| - | - | - | - |
| \$ <u>307,176</u> | \$ <u>356,434</u> | \$ <u>160,969</u> | \$ <u>8,174,046</u> |
| \$ 89 | \$ - | \$ 36,806 | \$ 45,293 |
| - | - | - | (1,841) |
| 30,664 | - | 48,292 | 481,390 |
| 7,904 | - | 35,769 | 43,673 |
| 578 | - | 27,728 | 35,843 |
| 267,941 | 356,434 | 3,331 | 647,421 |
| <u>307,176</u> | <u>356,434</u> | <u>151,926</u> | <u>1,251,779</u> |
| - | - | - | 115,038 |
| - | - | - | 115,038 |
| - | - | 1,525 | 212,978 |
| - | - | 7,518 | 7,518 |
| - | - | - | 1,332,450 |
| - | - | - | 1,219,817 |
| - | - | - | 194,072 |
| - | - | - | 280,000 |
| - | - | - | 3,560,394 |
| - | - | 9,043 | 6,807,229 |
| \$ <u>307,176</u> | \$ <u>356,434</u> | \$ <u>160,969</u> | \$ <u>8,174,046</u> |

BRADY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
AUGUST 31, 2016

EXHIBIT C-1r

| | | |
|--|-----------|--------------------------|
| Total Fund Balances - Governmental Funds | \$ | 6,807,229 |
| | | |
| 1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$41,063,384 and the accumulated depreciation was \$17,605,421. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the fund financial statements. The long-term debt was comprised of bonds payable of \$18,351,575. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position. | | 5,106,388 |
| 2 Current year capital outlays, capital lease issuance, and principal payments are other sources of funds and expenditures in the fund financial statements, but they should be shown as increases in capital assets and increases of and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2016 capital lease obligation issued of \$47,145, capital outlays of \$516,585, the current year depreciation expense of \$986,802, the bond principal payments of \$760,000, capital lease obligation principal payments of \$14,938, amortization of bond premium of \$56,281, and unamortized deferred loss on bond refunding of \$681,028 is to increase net position. | | 994,885 |
| 3 The fund financial statements include a deferred inflow for tax revenue which has not been collected. The government-wide financial statements recognize tax revenue in the period for which it is levied. Therefore, \$115,038 in deferred inflow for tax revenue is recognized in the statement of net position. The adjustment results in an increase to net position. | | 115,038 |
| 4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability in the amount of \$2,712,056, a deferred outflow of resources of \$1,357,816 and a deferred inflow of resources of \$201,798. The net effect is to decrease net position. | | (1,556,038) |
| | | |
| 19 Net Position of Governmental Activities (See A-1) | \$ | <u>11,467,502</u> |

The accompanying notes are an integral part of this statement.

BRADY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

| Data Control Codes | 10 General Fund | 50 Debt Service Fund |
|--|---------------------|-------------------------|
| REVENUES | | |
| 5700 Local and Intermediate Sources | \$ 5,373,967 | \$ 1,527,153 |
| 5800 State Program Revenues | 6,430,313 | 46,020 |
| 5900 Federal Program Revenues | <u>15,196</u> | <u>4,052</u> |
| 5020 Total Revenues | <u>11,819,476</u> | <u>1,577,225</u> |
| EXPENDITURES | | |
| Current: | | |
| 0011 Instruction | 5,759,564 | - |
| 0012 Instructional Resources and Media Services | 161,709 | - |
| 0013 Curriculum and Instructional Staff Development | 63,702 | - |
| 0021 Instructional Leadership | 74,654 | - |
| 0023 School Leadership | 782,325 | - |
| 0031 Guidance, Counseling and Evaluation Services | 210,022 | - |
| 0032 Social Work Services | 16 | - |
| 0033 Health Services | 98,593 | - |
| 0034 Student (Pupil) Transportation | 474,674 | - |
| 0035 Food Services | 14,138 | - |
| 0036 Extracurricular Activities | 1,183,327 | - |
| 0041 General Administration | 603,364 | - |
| 0051 Facilities Maintenance and Operations | 1,308,507 | - |
| 0052 Security and Monitoring Services | 14,528 | - |
| 0053 Data Processing Services | 213,684 | - |
| 0061 Community Services | 113 | - |
| Debt Service: | | |
| 0071 Principal on Long Term Debt | 16,956 | 760,000 |
| 0072 Interest on Long Term Debt | - | 709,195 |
| 0073 Bond Issuance Costs and Fees | - | 1,356 |
| Intergovernmental: | | |
| 0093 Payments to Fiscal Agent/Member Districts of SSA | 327,130 | - |
| 0099 Other Intergovernmental Charges | <u>196,209</u> | <u>-</u> |
| 6030 Total Expenditures | <u>11,503,215</u> | <u>1,470,551</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>316,261</u> | <u>106,674</u> |
| OTHER FINANCING SOURCES (USES) | | |
| 7912 Sale of Real and Personal Property | 113,674 | - |
| 7913 Proceeds from Capital Leases | 47,145 | - |
| 7915 Transfers In | - | - |
| 8911 Transfers Out | (210,640) | - |
| 7080 Total Other Financing Sources (Uses) | <u>(49,821)</u> | <u>-</u> |
| 1200 Net Change in Fund Balances | 266,440 | 106,674 |
| 0100 Fund Balance - September 1 (Beginning) | 5,199,296 | 1,225,776 |
| 3000 Fund Balance - August 31 (Ending) | <u>\$ 5,465,736</u> | <u>\$ 1,332,450</u> |

The accompanying notes are an integral part of this statement.

| 437 SSA Special Education | 499 Local Special Education | Other Governmental Funds | Total Governmental Funds |
|------------------------------------|--------------------------------------|--------------------------------|--------------------------------|
| \$ 287,481 | \$ 428 | \$ 164,980 | \$ 7,354,009 |
| 324,630 | - | 42,742 | 6,843,705 |
| - | 98,640 | 1,892,774 | 2,010,662 |
| <u>612,111</u> | <u>99,068</u> | <u>2,100,496</u> | <u>16,208,376</u> |
| 183,829 | 39,183 | 1,000,688 | 6,983,264 |
| - | - | - | 161,709 |
| - | - | 51,651 | 115,353 |
| 141,079 | 26,476 | - | 242,209 |
| - | - | - | 782,325 |
| 266,262 | - | 163,392 | 639,676 |
| - | - | 62,134 | 62,150 |
| - | - | - | 98,593 |
| - | - | 939 | 475,613 |
| - | - | 886,149 | 900,287 |
| - | - | - | 1,183,327 |
| 6,000 | - | - | 609,364 |
| 4,858 | 33,409 | 24,165 | 1,370,939 |
| - | - | - | 14,528 |
| 10,083 | - | - | 223,767 |
| - | - | 2,006 | 2,119 |
| - | - | - | 776,956 |
| - | - | - | 709,195 |
| - | - | - | 1,356 |
| - | - | 118,000 | 445,130 |
| - | - | - | 196,209 |
| <u>612,111</u> | <u>99,068</u> | <u>2,309,124</u> | <u>15,994,069</u> |
| - | - | (208,628) | 214,307 |
| - | - | - | 113,674 |
| - | - | - | 47,145 |
| - | - | 210,640 | 210,640 |
| - | - | - | (210,640) |
| - | - | 210,640 | 160,819 |
| - | - | 2,012 | 375,126 |
| - | - | 7,031 | 6,432,103 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,043</u> | <u>\$ 6,807,229</u> |

BRADY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

| | |
|---|---|
| Net Change in Fund Balances - Governmental Funds | \$ 375,126 |
| 1 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is capitalized and depreciated over their estimated useful lives. Total additions for the current year which were removed from fund expenditures amounted to \$516,585. Depreciation expense charged to the statement of activities totaled \$986,802. | (470,217) |
| 2 Certain revenues are recorded on the fund financial statements when the revenue is received. In the statement of activities, revenues are recognized when earned regardless of when received. Recognizing deferred tax revenues of \$115,038 and removing the prior year's tax revenue of \$135,354 results in a net decrease in net position. | (20,316) |
| 3 Repayment of bond principal of \$760,000 and repayment of capital lease obligation principal of \$14,938 are expenditures or other uses in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not an expense on the statement of activities. This increases net position. The 2016 capital lease obligation issuance of \$47,145 is a source of funds in the governmental funds, but the obligation increases long-term liabilities in the statement of net position and is not a source of funds on the statement of activities. Amortization of deferred loss on bond refunding of \$51,683 decreases net position. Finally, amortization of bond premium of \$56,281 was recorded in the government wide financial statements. The result of all of the above adjustments is an increase to the change in net position. | 732,391 |
| 4 Certain expenditures for the pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase in the amount of \$171,530. The District's share of the unrecognized deferred inflows and outflows for TRS as of the measurement date must be amortized and the District's proportionate share of the pension expense must be recognized. These cause the change in net position to decrease in the amount of \$756,873. The net effect is a decrease in net position. | (585,343) |
| Change in Net Position of Governmental Activities (See B-1) | <hr style="border: 0.5px solid black;"/> <u>\$ 31,641</u> |

The accompanying notes are an integral part of this statement.

FIDUCIARY FUND FINANCIAL STATEMENTS

BRADY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2016

EXHIBIT E-1

| | Private Purpose Trust Fund | Agency Fund |
|----------------------------|----------------------------------|----------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 452,096 | \$ 80,693 |
| Total Assets | <u>452,096</u> | <u>80,693</u> |
| LIABILITIES | | |
| Due to Student Groups | - | \$ 80,693 |
| Total Liabilities | <u>-</u> | <u>80,693</u> |
| NET POSITION | | |
| Net Position Held in Trust | 452,096 | |
| Total Net Position | <u>\$ 452,096</u> | |

The accompanying notes are an integral part of this statement.

BRADY INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT E-2

| | Private Purpose Trust Fund |
|--|----------------------------------|
| ADDITIONS: | |
| Local and Intermediate Sources | \$ 456,096 |
| Total Additions | <u>456,096</u> |
| DEDUCTIONS: | |
| Other Operating Costs | 4,000 |
| Total Deductions | <u>4,000</u> |
| Change in Net Position | 452,096 |
| Total Net Position - September 1 (Beginning) | <u>-</u> |
| Total Net Position - August 31 (Ending) | <u>\$ 452,096</u> |

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 1: REPORTING ENTITY

The Board of Trustees, a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the Brady Independent School District (the District). The Board of Trustees is elected by the public. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. The financial statements of the District include all activities for which the Board exercises these governance responsibilities.

The District receives funding from local, state and federal government sources and complies with the requirements of these funding source entities.

Note 2: GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which 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 or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Note 3: 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 well as the fiduciary fund financial statements. However, agency funds have no measurement focus. 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 revenue 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 claims and judgments, are recorded only when payment is due.

Property taxes and penalties and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION - continued

The government reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund*, a governmental fund type, accounts for financial resources that are restricted, committed or assigned for principal and interest on long-term debt of governmental activities.

Fund 437, Shared Services Arrangement – Special Education is to be used by the fiscal agent of a Shared Service Arrangement to account, on a project basis, for funds for special education, other than regional day school for the deaf and State Supplemental Visually Impaired.

Fund 499, Local Special Education is to be used to account, on a project basis, for funds for special education, other than regional day school for the deaf and State Supplemental Visually Impaired.

Additionally, the government reports the following fund types:

The *Special Revenue Funds*, a governmental fund type, account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District accounts for each federal and state grant in a separate special revenue fund.

Agency Funds, a fiduciary fund type, account for resources held for others in a custodial capacity.

A *Private Purpose Trust Fund*, a fiduciary fund type, is used to account for scholarship funds. The earnings from the fund are used to provide college scholarships.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

Note 4: ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION OR EQUITY

Deposits and investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value.

Receivables and payables

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 other outstanding balances between funds are reported as "due to/from other funds."

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 4: ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION OR EQUITY – continued

Capital assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. The District defines capital assets 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 cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 asset lives are not capitalized.

In the government wide financial statements, property, plant and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|--------------------------|--------------|
| Buildings & improvements | 20 - 50 |
| Furniture & equipment | 5 - 15 |

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount.

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 debt issued is reported as other financing sources. 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.

Deferred Outflows/Inflows of Resources

Deferred outflows/inflows of resources are separate elements of the financial statements. The District has deferred inflows of resources, which arises under the modified accrual basis of accounting, unavailable revenue from property taxes, and for its proportionate share of the Teacher Retirement System of Texas' (TRS) deferred inflow related to pensions as described in Note 8. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has deferred outflows of resources for its proportionate share of TRS's deferred outflow related to pensions as described in Note 8 and for deferred charges for bond refunding.

Pensions

The fiduciary net position of 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.

Fair Value Measurements

The District adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 4: ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION OR EQUITY – continued

Level 3 inputs are observable inputs that reflect the entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Implementation of GASB Statement No. 72 did not have a significant impact on the District’s financial statements for the year ended August 31, 2016.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 5: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA’s Financial Accounting Resources module, 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 Fund Types 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 Child Nutrition Special Revenue Fund. The remaining special revenue funds adopt project-length budgets that do not correspond to the District’s fiscal year.

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. There were no outstanding encumbrances at August 31, 2016.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS

Deposits

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

The District’s investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The District’s management believes that it complied with the requirements of the PFIA and the District’s investment policies.

Custodial credit risk - deposits. The District carries certain bank accounts with financial institutions which are subject to credit risk by the amount such assets exceed federal deposit insurance limits and pledged securities held by the financial institution in the District’s name. The District’s cash deposits at August 31, 2016, were entirely covered by FDIC insurance and pledged collateral held by the District’s agent bank, Brady National Bank of Brady, TX, in the District’s name.

Investments

State statutes and Board policy authorize the District to invest in 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; 5) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; and 6) fully collateralized repurchase agreements; 7) commercial paper that has a stated maturity of 270 days or fewer from the date of issuance and is rated not less than A1-1 or P-1 or an equivalent rating by at least two nationally recognized credit agencies; and 8) public funds investment pools.

The District’s investments at August 31, 2016, are shown below:

| | Fair Value | Maturity | | |
|-------------------------|--------------|------------------|-------|-------------------|
| | | Less Than 1 Year | 1 - 5 | More Than 5 Years |
| Investments: | | | | |
| Certificates of deposit | \$ 3,697,962 | \$ 3,697,962 | \$ - | \$ - |
| Total | \$ 3,697,962 | \$ 3,697,962 | \$ - | \$ - |

Interest rate risk. In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 180 days. The maximum allowable stated maturity of any individual investment owned by the District shall not exceed three years from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits.

Credit risk. State law and District policy limit investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. As of August 31, 2016, the District held no investments in public funds investment pools.

Property Tax

In the fund financial statements, property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 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. The assessed value of the property tax roll (net of exemptions) on January 1, 2015, upon which the levy for the August 31, 2016, fiscal year was based, was \$472,922,316. Taxes are delinquent if not paid by January 31. Delinquent taxes are subject to penalty and interest charges plus 15% delinquent collection fees for attorney costs.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS – continued

Current tax collections for the year ended August 31, 2016, were 98.8% 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 Fund and Debt Service Fund 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, 2016, property taxes receivable, net of estimated uncollectible taxes, totaled \$87,423 and \$27,615 for the General and Debt Service Funds, respectively.

The tax rates assessed for the year ended August 31, 2016, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$0.3052 per \$100 valuation, respectively, for a total of \$1.3452 per \$100 valuation.

Due From 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. Amounts due from federal and state governments as of August 31, 2016, are summarized below.

| Fund | State Grants/ Entitlements | Federal Grants | Total |
|--------------------------------|-------------------------------|-------------------|-------------------|
| General Fund | \$ 431,834 | \$ - | \$ 431,834 |
| Nonmajor Special Revenue Funds | - | 123,739 | 123,739 |
| | <u>\$ 431,834</u> | <u>\$ 123,739</u> | <u>\$ 555,573</u> |

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of August 31, 2016 is as follows:

| | Due From Other Funds | Due To Other Funds |
|--------------------------------|-------------------------|-----------------------|
| General Fund | | |
| Nonmajor Special Revenue Funds | \$ 35,769 | \$ - |
| Local Special Education | | |
| SSA Special Education | 7,904 | 7,904 |
| Nonmajor Special Revenue Funds | | |
| General Fund | - | 35,769 |
| Totals | <u>\$ 43,673</u> | <u>\$ 43,673</u> |

The interfund receivables and payables were recorded to eliminate cash deficit balances and to record temporary borrowings until the fund is reimbursed by grantor agencies.

The composition of interfund transfers for the year ended August 31, 2016 is as follows:

| | Transfer in | Transfer out |
|--------------------------------|-------------------|-------------------|
| Nonmajor Special Revenue Funds | \$ 210,640 | \$ - |
| General Fund | - | 210,640 |
| | <u>\$ 210,640</u> | <u>\$ 210,640</u> |

The purpose of the above transfers was to provide funds from the general fund to the child nutrition fund to subsidize the program.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS – continued

Capital Assets

Capital asset activity for the year ended August 31, 2016 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|------------------|---------------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 574,745 | \$ - | \$ - | \$ 574,745 |
| Total capital assets, not being depreciated | <u>574,745</u> | <u>-</u> | <u>-</u> | <u>574,745</u> |
| Capital assets, being depreciated | | | | |
| Buildings and improvements | 37,358,413 | 177,536 | 252,024 | 37,283,925 |
| Furniture and equipment | 1,106,617 | 191,001 | - | 1,297,618 |
| Vehicles | <u>2,023,609</u> | <u>148,048</u> | <u>-</u> | <u>2,171,657</u> |
| Total capital assets being depreciated | <u>40,488,639</u> | <u>516,585</u> | <u>252,024</u> | <u>40,753,200</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (15,295,370) | (747,674) | 252,024 | (15,791,020) |
| Furniture and equipment | (764,299) | (127,938) | - | (892,237) |
| Vehicles | <u>(1,545,752)</u> | <u>(111,190)</u> | <u>-</u> | <u>(1,656,942)</u> |
| Total accumulated depreciation | <u>(17,605,421)</u> | <u>(986,802)</u> | <u>252,024</u> | <u>(18,340,199)</u> |
| Total capital assets being depreciated, net | <u>22,883,218</u> | <u>(470,217)</u> | <u>-</u> | <u>22,413,001</u> |
| Governmental activities capital assets, net | <u>\$ 23,457,963</u> | <u>\$ (470,217)</u> | <u>\$ -</u> | <u>\$ 22,987,746</u> |

Depreciation expense was charged to the District's functions as follows:

| | |
|--|-------------------|
| Instruction | \$ 547,185 |
| Instructional resources and media services | 37,982 |
| School leadership | 25,735 |
| Guidance, counseling and evaluation services | 18,991 |
| Health services | 12,661 |
| Student (pupil) transportation | 110,239 |
| Food service | 33,852 |
| Cocurricular/extracurricular activities | 151,704 |
| General administration | 10,549 |
| Facilities maintenance and operations | 27,946 |
| Data processing services | 9,958 |
| Total depreciation expense - governmental activities | <u>\$ 986,802</u> |

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 7: LONG-TERM OBLIGATIONS

Bonds Payable

On December 29, 2005, the District issued \$2,385,000 in Unlimited Tax Refunding Bonds, Series 2005. Proceeds from the sale of the bonds were used to refund a portion of the Unlimited Tax School Building and Refunding Bonds, Series 1997, and to pay costs associated with the issuance of the bonds. The bonds were issued at a premium of \$17,868. The bonds issued consisted of current interest bonds of \$2,070,000 with a rate of 3.87% paid through 2022 and capital appreciation bonds of \$315,000, paid in 2007. The District intends to retire all of its general obligation bonds, plus interest, from future ad valorem tax levies. The District designates a portion of its tax rate for debt service in order to comply with the ordinance to create from such tax revenues, a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due.

On July 17, 2007, the District issued \$14,500,000 in Unlimited Tax School Building Bonds, Series 2007. Proceeds from the sale of the bonds were used for construction and equipment of school buildings in the District, including construction of a new high school, and to pay costs associated with the issuance of the bonds. The bonds were issued at a premium of \$183,725. The bonds issued consisted of current interest bonds with rates ranging from 4.0% - 5.00% paid through 2037. The District intends to retire all of its general obligation bonds, plus interest, from future ad valorem tax levies. The District designates a portion of its tax rate for debt service in order to comply with the ordinance to create from such tax revenues, a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due. The bonds were partially refunded by the 2015 series described below. The current interest bonds were retired in 2016.

On January 23, 2008, the District issued \$5,040,000 in Unlimited Tax Refunding Bonds, Series 2008. Proceeds from the sale of the bonds were used to refund the Unlimited Tax School Building and Refunding Bonds, Series 1999, and to pay costs associated with the issuance of the bonds. The bonds were issued at a premium of \$46,707. The bonds issued consisted of current interest bonds of \$5,010,000 with a rate of 5.3% paid through 2022 and capital appreciation bonds of \$30,000, retired in 2009. The District intends to retire all of its general obligation bonds, plus interest, from future ad valorem tax levies. The District designates a portion of its tax rate for debt service in order to comply with the ordinance to create from such tax revenues, a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due.

On June 4, 2015, the District issued \$12,850,000 in Unlimited Tax Refunding Bonds, Series 2015. Proceeds from the sale of the bonds were used to partially refund the Unlimited Tax School Building Bonds, Series 2007, and to pay costs associated with the issuance of the bonds. The bonds were issued at a premium of \$1,200,004. The bonds issued consisted of current interest bonds of \$12,850,000 with rates ranging from 2.0% - 5.0% paid through 2037. The District intends to retire all of its general obligation bonds, plus interest, from future ad valorem tax levies. The District designates a portion of its tax rate for debt service in order to comply with the ordinance to create from such tax revenues, a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 7: LONG-TERM OBLIGATIONS – continued

At August 31, 2016, the District had \$1,301,362 in cash and investments held for the purpose of future debt maturity. In the fund financial statements, current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. A summary of changes in long-term liabilities for the year ended August 31, 2016 is as follows:

| | Beginning Balance | Additions | Retirements | Ending Balance | Due Within One Year |
|--|----------------------|---------------------|-----------------------|----------------------|------------------------|
| Unlimited Tax Refunding Bonds, Series 2005 | | | | | |
| Current Interest Bonds | \$ 385,000 | \$ - | \$ (50,000) | \$ 335,000 | \$ 50,000 |
| Unlimited Tax School Building Bonds, Series 2007 | | | | | |
| Current Interest Bonds | 205,000 | - | (205,000) | - | - |
| Unlimited Tax Refunding Bonds, Series 2008 | | | | | |
| Current Interest Bonds | 3,875,000 | - | (495,000) | 3,380,000 | 515,000 |
| Unlimited Tax Refunding Bonds, Series 2015 | | | | | |
| Current Interest Bonds | 12,710,000 | - | (10,000) | 12,700,000 | 220,000 |
| Bonds payable - subtotal | <u>17,175,000</u> | <u>-</u> | <u>(760,000)</u> | <u>16,415,000</u> | <u>785,000</u> |
| Unamortized Premium on Bonds, Series 2005 | 6,948 | - | (993) | 5,955 | - |
| Unamortized Premium on Bonds, Series 2008 | 21,796 | - | (3,114) | 18,682 | - |
| Unamortized Premium on Bonds, Series 2015 | 1,147,831 | - | (52,174) | 1,095,657 | - |
| Subtotal | <u>1,176,575</u> | <u>-</u> | <u>(56,281)</u> | <u>1,120,294</u> | <u>-</u> |
| Net bonds payable | <u>18,351,575</u> | <u>-</u> | <u>(816,281)</u> | <u>17,535,294</u> | <u>785,000</u> |
| Capital leases payable | - | 47,145 | (14,938) | 32,207 | 15,637 |
| Net pension liability (proportionate share) | <u>1,213,284</u> | <u>1,927,485</u> | <u>(428,713)</u> | <u>2,712,056</u> | <u>-</u> |
| Other long-term liabilities-subtotal | <u>1,213,284</u> | <u>1,974,630</u> | <u>(443,651)</u> | <u>2,744,263</u> | <u>15,637</u> |
| Total long-term liabilities | <u>\$ 19,564,859</u> | <u>\$ 1,974,630</u> | <u>\$ (1,259,932)</u> | <u>\$ 20,279,557</u> | <u>\$ 800,637</u> |

Unamortized bond premiums on the 2005, 2008, and 2015 Series bonds are reported with long-term bonds payable on the statement of net position.

Debt service requirements are as follows:

| Fiscal Year | Principal | Interest | Total Requirements |
|----------------|----------------------|---------------------|-----------------------|
| 2017 | \$ 785,000 | \$ 680,421 | \$ 1,465,421 |
| 2018 | 815,000 | 653,354 | 1,468,354 |
| 2019 | 840,000 | 625,184 | 1,465,184 |
| 2020 | 865,000 | 593,902 | 1,458,902 |
| 2021 | 890,000 | 561,706 | 1,451,706 |
| 2022-2026 | 3,250,000 | 2,387,565 | 5,637,565 |
| 2027-2031 | 3,595,000 | 1,652,750 | 5,247,750 |
| 2032-2036 | 4,375,000 | 873,300 | 5,248,300 |
| 2037 | 1,000,000 | 50,000 | 1,050,000 |
| | <u>\$ 16,415,000</u> | <u>\$ 8,078,182</u> | <u>\$ 24,493,182</u> |

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 7: LONG-TERM OBLIGATIONS – continued

Capital Leases Payable

A summary of changes in capital leases payable for the year ended August 31, 2016 is as follows:

| | Beginning Balance | Additions | Retirements | Ending Balance | Due Within One Year |
|-----------------------|----------------------|-----------|-------------|-------------------|------------------------|
| Capital lease payable | \$ - | \$ 47,145 | \$ 14,938 | \$ 32,207 | \$ 15,637 |
| | - | 47,145 | 14,938 | 32,207 | 15,637 |

The District leases band equipment under capital lease. The following is an analysis of the leased assets included in capital assets at August 31, 2016:

| | 2016 |
|-------------------------------|-----------|
| Equipment | \$ 47,145 |
| Less accumulated depreciation | (15,715) |
| Net value | \$ 31,430 |

The following is a schedule of future minimum payments required under the lease with its present value as of August 31, 2016:

| | |
|---|-----------|
| Year ending | |
| 2017 | \$ 16,956 |
| 2018 | 16,956 |
| Total minimum lease payments | 33,912 |
| Less amount representing interest | (1,705) |
| Present value of minimum lease payments | \$ 32,207 |

Note 8: DEFINED BENEFIT PENSION PLAN

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, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) as of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public state-supported education institutions in Texas who are employed for one-half or more of the standard work load and who are not exempt 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>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2015 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 8: DEFINED BENEFIT PENSION PLAN – continued

| Net Pension Liability | Total |
|---|--------------------|
| Total Pension Liability | \$ 163,887,375,172 |
| Less: Plan Fiduciary Net Position | (128,538,706,212) |
| Net Pension Liability | \$ 35,348,668,960 |
| Net Position as a percentage of Total Pension Liability | 78.43% |

Benefits Provided – TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member’s age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member’s age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the 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 establish a member contribution rate of not less than 6% of the member’s annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

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

| | Contribution Rates | |
|--|--------------------|---------|
| | 2015 | 2016 |
| Member | 6.70% | 7.20% |
| Non-Employer Contributing Entity (State) | 6.80% | 6.80% |
| Employers | 6.80% | 6.80% |
| Member Contributions | \$ 508,517 | 558,515 |
| NECE On-Behalf Contributions | \$ 417,336 | 425,331 |
| Employer Contributions | \$ 227,179 | 171,530 |

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 8: DEFINED BENEFIT PENSION PLAN – continued

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, 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 including public schools are required to pay the state contribution rate in the following instances:

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

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

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

Actuarial Assumptions – The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

| | |
|--|-----------------------------|
| Valuation Date | August 31, 2015 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | 5 year Market Value |
| Single Discount Rate | 8.00% |
| Long-term expected Investment Rate of Return | 8.00% |
| Inflation | 2.50% |
| Salary Increases, including inflation | 3.5% to 9.5% |
| Payroll Growth Rate | 2.50% |
| Benefit changes during year | None |
| Ad hoc post-employment benefit changes | None |

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

Discount Rate – The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized as follows:

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 8: *DEFINED BENEFIT PENSION PLAN – continued*

| Asset Class | Target Allocation | Long-Term Expected Geometric Real Rate of Return | Expected Contribution to Long-Term Portfolio Returns * |
|-------------------------------|-------------------|--|--|
| Global Equity | | | |
| U.S. | 18.0% | 4.6% | 1.0% |
| Non-U.S. Developed | 13.0% | 5.1% | 0.8% |
| Emerging Markets | 9.0% | 5.9% | 0.7% |
| Directional Hedge Funds | 4.0% | 3.2% | 0.1% |
| Private Equity | 13.0% | 7.0% | 1.1% |
| Stable Value | | | |
| U.S. Treasuries | 11.0% | 0.7% | 0.1% |
| Absolute Return | 0.0% | 1.8% | 0.0% |
| Stable Value Hedge Funds | 4.0% | 3.0% | 0.1% |
| Cash | 1.0% | -0.2% | 0.0% |
| Real Return | | | |
| Global Inflation Linked Bonds | 3.0% | 0.9% | 0.0% |
| Real Assets | 16.0% | 5.1% | 1.1% |
| Energy and Natural Resources | 3.0% | 6.6% | 0.2% |
| Commodities | 0.0% | 1.2% | 0.0% |
| Risk Parity | | | |
| Risk Parity | 5.0% | 6.7% | 0.3% |
| Inflation Expectation | - | - | 2.2% |
| Alpha | - | - | 1.0% |
| Total | 100.0% | | 8.7% |

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

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 2015 Net Pension Liability.

| | 1% Decrease in Discount Rate (7.0%) | Discount Rate (8.0%) | 1% Increase in Discount Rate (9.0%) |
|---|--|----------------------|--|
| Total TRS net pension liability | \$ 55,384,701,778 | \$ 35,348,668,960 | \$ 18,659,898,872 |
| District's proportionate share of the net pension liability | \$ 4,249,280 | \$ 2,712,056 | \$ 1,431,643 |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At August 31, 2016, the District reported a liability of \$2,712,056 for its proportionate share of the TRS's net pension liability measured at August 31, 2015. 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 | \$ 2,712,056 |
| State's proportionate share that is associated with the District | 4,980,648 |
| Total | \$ 7,692,704 |

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 8: DEFINED BENEFIT PENSION PLAN – continued

The net pension liability was measured as of August 31, 2015 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 contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 through August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was .000076723 which was an increase of .000031301 from its proportion measured as of August 31, 2014.

Changes Since the Prior Actuarial Valuation – The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotion/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

5. The post-retirement mortality tables for non-disabled retirees and disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

7. Previously it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
8. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
9. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
10. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
11. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

12. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

For the year ended August 31, 2016, the District recognized pension expense of \$756,873. Additionally, the District recognized \$709,662 as revenue for support provided by the State.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 8: DEFINED BENEFIT PENSION PLAN – continued

At August 31, 2016, the District reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | \$ 15,599 | \$ 104,227 |
| Changes in actuarial assumptions | 65,561 | 96,754 |
| Difference between projected and actual investment earnings | 389,797 | - |
| Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions | 715,329 | 817 |
| Contributions paid to TRS subsequent to the measurement date | 171,530 | - |
| Total | \$ 1,357,816 | \$ 201,798 |

\$171,530 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended August 31, 2017. The other 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:

| Year Ended August 31 | Pension Expense Amount |
|----------------------|---------------------------|
| 2017 | \$ 177,729 |
| 2018 | 177,729 |
| 2019 | 177,729 |
| 2020 | 270,436 |
| 2021 | 102,271 |
| Thereafter | 78,594 |
| Total | \$ 984,488 |

Note 9: POSTEMPLOYMENT HEALTH BENEFITS

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

Funding Policy – Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown on the following table for fiscal years 2014 to 2016.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 9: POSTEMPLOYMENT HEALTH BENEFITS – continued

| Year | Contribution Rates | | | | | |
|------|--------------------|-----------|-------|-----------|-----------------|-----------|
| | Active Member | | State | | School District | |
| | Rate | Amount | Rate | Amount | Rate | Amount |
| 2016 | 0.65% | \$ 50,422 | 1.0% | \$ 77,572 | 0.55% | \$ 42,664 |
| 2015 | 0.65% | 49,334 | 1.0% | 75,898 | 0.55% | 41,744 |
| 2014 | 0.65% | 47,208 | 1.0% | 72,627 | 0.55% | 39,945 |

Medicare Part D – The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments have been recognized as equal revenues and expenditures by the District. For the years ended August 31, 2016, 2015, and 2014, Medicare Part D on-behalf payments of \$30,744, \$31,050, and \$19,267, respectively, were recognized in the General Fund as revenues and expenditures.

Note 10: FUND BALANCE

The District classifies governmental fund balance in accordance with Government Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions:

Nonspendable fund balance includes fund balance that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The District had nonspendable fund balance for prepaid items of \$212,978 at August 31, 2016.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance restricted for the retirement of funded indebtedness totaled \$1,332,450 as of August 31, 2016. As of August 31, 2016, \$7,518 was restricted for food service.

Committed fund balance is established and modified by a resolution from the District’s Board, the District’s highest level of decision-making authority, and can be used only for the specific purposes determined the Board’s resolution. At August 31, 2016, the District had \$1,219,817 committed for facilities, \$280,000 committed for future salaries and \$194,072 committed for equipment.

Assigned fund balance is intended to be used by the District for specific purposes but does not meet the criteria to be classified as restricted or committed. The Board has delegated the authority to assign fund balance to the Superintendent. The District had no assigned fund balance at August 31, 2016.

Unassigned fund balance is the residual classification for the District’s general fund and includes all spendable amounts not contained in the other classifications.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District shall strive to maintain a yearly fund balance in the general operating fund in which the total fund balance is three months’ operating expenditures and the unreserved, undesignated, unassigned fund balance is three months’ operating expenditures of the total operating expenditures.

Note 11: 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 fiscal year 2016, 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.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 11: RISK MANAGEMENT – continued

Unemployment Compensation – Self Funded

During the year ended August 31, 2016, the District met its statutory unemployment compensation obligations by participating as a self-funded member of 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 and Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

As a self-funded member of the TASB Risk Management Fund, the District is solely responsible for all claim costs, both reported and unreported.

The Fund provides administrative services to its self-funded members including claims administration and customer service.

Property Program

During the year ended August 31, 2016, the District participated in the Fund's Property Program with coverage in: crime, equipment breakdown and property. The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2016, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

Liability Program

During the year ended August 31, 2016, the District participated in the Fund's Liability Program with coverage in general liability, manuscript special, sexual misconduct endorsement, and school professional legal liability. The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Liability Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2016, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2015, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Note 12: WORKERS' COMPENSATION AND HEALTH COVERAGE

During the year ended August 31, 2016, employees of the District were covered by a third party commercial health insurance (the Plan). The District has paid premiums of \$225 per month per employee to the plan, and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator acting on behalf of a licensed insurer. The plan was authorized by Section 21.922, Texas Education Code, and was documented by contractual agreement. The plan is accounted for in the general fund.

The contract between the District and the third party administrator is renewable annually on September 1, and terms of coverage and premium costs are included in the contractual provisions.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 12: WORKERS' COMPENSATION AND HEALTH COVERAGE – continued

The District participates in a modified self-funded workers' compensation insurance pool with other districts which are located in the state of Texas. The District's contributions to the pool are based on the loss experience of the District and other districts in the pool. Worker's Compensation Solutions (WCS) is the third party administrator of the pool. The District's fixed cost is \$24,171 and maximum aggregate loss is \$30,776.

Note 13: CONTINGENCIES

The District is not a party to any legal actions that are believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying financial statements for such 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, 2016 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

Note 14: UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES

Unearned revenue in the governmental funds balance sheet at August 31, 2016 consisted of the following:

| | General Fund | Fund 437 SSA Special Education | Fund 499 Local Special Education | Other Governmental Funds | Total |
|--------------------------------|------------------|--------------------------------------|--|--------------------------------|-------------------|
| Other Unearned Revenue | \$ 19,715 | \$ - | \$ - | \$ - | \$ 19,715 |
| State Textbook revenue | - | - | - | 3,331 | 3,331 |
| Special Education SSA revenues | - | 267,941 | 356,434 | - | 624,375 |
| Total | <u>\$ 19,715</u> | <u>\$ 267,941</u> | <u>\$ 356,434</u> | <u>\$ 3,331</u> | <u>\$ 647,421</u> |

Deferred inflows of resources in the governmental funds balance sheet at August 31, 2016 consisted of the following:

| | General Fund | Debt Service Fund | Total |
|--------------------------------------|------------------|----------------------|-------------------|
| Unavailable revenue - property taxes | \$ 87,423 | \$ 27,615 | \$ 115,038 |
| | <u>\$ 87,423</u> | <u>\$ 27,615</u> | <u>\$ 115,038</u> |

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 15: REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended August 31, 2016, revenues from local and intermediate sources for governmental fund types consisted of the following:

| | General Fund | Debt Service Fund | Fund 437 - SSA Special Education | Fund 499 - Local Special Education | Nonmajor Governmental Funds | Total |
|----------------------------------|---------------------|----------------------|--|--|-----------------------------------|---------------------|
| Property Taxes | \$ 4,908,744 | \$ 1,476,327 | \$ - | \$ - | \$ - | \$ 6,385,071 |
| Food Service Sales | - | - | - | - | 163,443 | 163,443 |
| Investment Income | 61,621 | 17,086 | 6,333 | 428 | 1,502 | 86,970 |
| Penalties, Interest, and Other | | | | | | |
| Tax Related Income | 111,920 | 33,740 | - | - | - | 145,660 |
| Co-curricular Student Activities | 48,809 | - | - | - | - | 48,809 |
| Revenue from Member Districts | - | - | 251,798 | - | - | 251,798 |
| Tuition and Fees | 3,200 | - | - | - | - | 3,200 |
| Gifts and Bequests | 30,976 | - | - | - | - | 30,976 |
| Other | 208,697 | - | 29,350 | - | 35 | 238,082 |
| Total | \$ 5,373,967 | \$ 1,527,153 | \$ 287,481 | \$ 428 | \$ 164,980 | \$ 7,354,009 |

Note 16: VACATION AND SICK LEAVE

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 basic 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 basic financial statements.

Note 17: SHARED SERVICES ARRANGEMENT

The District is the fiscal agent for a Shared Services Arrangement (SSA) which provides services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and is accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

| Member Districts | Expenditures |
|---------------------------------|-------------------|
| Brady ISD | \$ 316,722 |
| Lohn ISD | 33,525 |
| Rochelle ISD | 55,096 |
| Cherokee ISD | 23,289 |
| San Saba ISD | 123,521 |
| Richland Springs ISD | 32,688 |
| Special Services to Other Coops | 27,270 |
| Total | \$ 612,111 |

Note 18: EXPENDITURES EXCEEDING BUDGET

| | Budget | Actual | Variance |
|-------------------------------------|--------------|--------------|-------------|
| General Fund | | | |
| 0036 Extracurricular Activities | \$ 1,135,182 | \$ 1,183,327 | \$ (48,145) |
| 0041 General Administration | 602,932 | 603,364 | (432) |
| Child Nutrition Program | | | |
| 0034 Student (Pupil) Transportation | \$ - | \$ 939 | \$ (939) |

REQUIRED SUPPLEMENTARY INFORMATION

BRADY INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-1

| Data Control Codes | Budgeted Amounts | | Actual Amounts (GAAP) Basis | Variance With Final Budget Positive or (Negative) | |
|--|---|---------------------|--------------------------------|--|-------------------|
| | Original | Final | | | |
| REVENUES: | | | | | |
| 5700 | Local and Intermediate Sources | \$ 4,909,917 | \$ 4,939,980 | \$ 5,373,967 | \$ 433,987 |
| 5800 | State Program Revenues | 6,254,018 | 6,355,540 | 6,430,313 | 74,773 |
| 5900 | Federal Program Revenues | 14,430 | 14,430 | 15,196 | 766 |
| 5020 | Total Revenues | <u>11,178,365</u> | <u>11,309,950</u> | <u>11,819,476</u> | <u>509,526</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| 0011 | Instruction | 5,748,204 | 5,797,769 | 5,759,564 | 38,205 |
| 0012 | Instructional Resources and Media Services | 160,444 | 163,016 | 161,709 | 1,307 |
| 0013 | Curriculum and Instructional Staff Development | 63,531 | 64,531 | 63,702 | 829 |
| 0021 | Instructional Leadership | 67,198 | 77,898 | 74,654 | 3,244 |
| 0023 | School Leadership | 770,226 | 784,436 | 782,325 | 2,111 |
| 0031 | Guidance, Counseling and Evaluation Services | 194,328 | 214,353 | 210,022 | 4,331 |
| 0032 | Social Work Services | 500 | 500 | 16 | 484 |
| 0033 | Health Services | 96,821 | 99,596 | 98,593 | 1,003 |
| 0034 | Student (Pupil) Transportation | 474,361 | 556,569 | 474,674 | 81,895 |
| 0035 | Food Services | 21,893 | 20,993 | 14,138 | 6,855 |
| 0036 | Extracurricular Activities | 838,742 | 1,135,182 | 1,183,327 | (48,145) |
| 0041 | General Administration | 596,032 | 602,932 | 603,364 | (432) |
| 0051 | Facilities Maintenance and Operations | 1,358,058 | 1,384,608 | 1,308,507 | 76,101 |
| 0052 | Security and Monitoring Services | 18,690 | 18,690 | 14,528 | 4,162 |
| 0053 | Data Processing Services | 199,385 | 214,785 | 213,684 | 1,101 |
| 0061 | Community Services | 1,700 | 1,700 | 113 | 1,587 |
| Debt Service: | | | | | |
| 0071 | Principal on Long Term Debt | 16,956 | 16,956 | 16,956 | - |
| Intergovernmental: | | | | | |
| 0093 | Payments to Fiscal Agent/Member Districts of SSA | 326,130 | 328,130 | 327,130 | 1,000 |
| 0099 | Other Intergovernmental Charges | 192,406 | 196,406 | 196,209 | 197 |
| 6030 | Total Expenditures | <u>11,145,605</u> | <u>11,679,050</u> | <u>11,503,215</u> | <u>175,835</u> |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>32,760</u> | <u>(369,100)</u> | <u>316,261</u> | <u>685,361</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| 7912 | Sale of Real and Personal Property | 47,240 | 146,052 | 113,674 | (32,378) |
| 7913 | Proceeds from Capital Leases | - | - | 47,145 | 47,145 |
| 7915 | Transfers In | - | 4,661 | - | (4,661) |
| 8911 | Transfers Out | (80,000) | (213,000) | (210,640) | 2,360 |
| | Total Other Financing Sources (Uses) | <u>(32,760)</u> | <u>(62,287)</u> | <u>(49,821)</u> | <u>12,466</u> |
| 1200 | Net Change in Fund Balances | - | (431,387) | 266,440 | 697,827 |
| 0100 | Fund Balance - September 1 (Beginning) | <u>5,199,296</u> | <u>5,199,296</u> | <u>5,199,296</u> | - |
| 3000 | Fund Balance - August 31 (Ending) | <u>\$ 5,199,296</u> | <u>\$ 4,767,909</u> | <u>\$ 5,465,736</u> | <u>\$ 697,827</u> |

BRADY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-2

| | 2015* | 2014* |
|--|---------------------|---------------------|
| District's Proportion of the Net Pension Liability (Asset) | 0.007672300% | 0.004542200% |
| District's Proportionate Share of Net Pension Liability (Asset) | \$ 2,712,056 | \$ 1,213,284 |
| State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District | <u>4,980,648</u> | <u>4,281,893</u> |
| | <u>\$ 7,692,704</u> | <u>\$ 5,495,177</u> |
| District's Covered-Employee Payroll | \$ 7,589,807 | \$ 7,262,718 |
| District's Proportionate Share of Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | 35.73% | 16.71% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 78.43% | 83.25% |

* The amounts presented for each plan year are as of August 31; plan information was unavailable prior to 2014.

BRADY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-3

| | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|
| Contractually Required Contribution | \$ 171,530 | \$ 227,139 |
| Contribution in Relation to the Contractually Required Contribution | <u>(171,530)</u> | <u>(227,139)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> |
| District's Covered-Employee Payroll | \$ 7,757,155 | \$ 7,589,807 |
| Contributions as a Percentage of Covered-Employee Payroll | 2.21% | 2.99% |

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2016

NOTE A: NET PENSION LIABILITY – TEACHERS RETIREMENT SYSTEM

Changes of Benefit Terms

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

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.

Changes of Assumptions

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotion/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

5. The post-retirement mortality tables for non-disabled retirees and disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

7. Previously it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
8. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
9. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
10. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
11. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

12. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

OTHER SUPPLEMENTARY INFORMATION

BRADY INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2016

| | 205 | 211 | 240 | 244 |
|--|------------------|---------------------------|--|----------------------------------|
| | Head Start | ESEA Title I Part A | National School Lunch & Breakfast | Career & Technical - Basic |
| ASSETS | | | | |
| 1110 Cash and Cash Equivalents | \$ - | \$ - | \$ 32,374 | \$ - |
| 1240 Receivables from Other Governments | 10,203 | 30,485 | 21,376 | - |
| 1410 Prepaid Expenditures | - | - | 1,525 | - |
| 1000 Total Assets | <u>10,203</u> | <u>30,485</u> | <u>55,275</u> | <u>-</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| 1700 Deferred Outflows | - | - | - | - |
| 1000a Total Assets and Deferred Outflows | <u>\$ 10,203</u> | <u>\$ 30,485</u> | <u>\$ 55,275</u> | <u>\$ -</u> |
| LIABILITIES | | | | |
| 2110 Accounts Payable | \$ - | \$ - | \$ 36,806 | \$ - |
| 2160 Accrued Wages Payable | 6,972 | - | 9,262 | - |
| 2170 Due to Other Funds | 2,480 | 6,856 | - | - |
| 2200 Accrued Expenditures | 751 | 23,629 | 164 | - |
| 2300 Unearned Revenue | - | - | - | - |
| 2000 Total Liabilities | <u>10,203</u> | <u>30,485</u> | <u>46,232</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| 2600 Unavailable Revenues - Property Taxes | - | - | - | - |
| Total Deferred Inflows of Resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | |
| 3430 Nonspendable - Prepaid Items | - | - | 1,525 | - |
| 3450 Restricted - Federal or State Funds Grants | - | - | 7,518 | - |
| 3600 Unassigned | - | - | - | - |
| 3000 Total Fund Balances | <u>-</u> | <u>-</u> | <u>9,043</u> | <u>-</u> |
| 4000 Total Liabilities, Deferred Inflows and Fund Balances | <u>\$ 10,203</u> | <u>\$ 30,485</u> | <u>\$ 55,275</u> | <u>\$ -</u> |

| 255 Title II, Part A Teacher and Principal Training | 313 SSA IDEA - Part B Formula | 314 SSA IDEA - Part B Preschool | 392 Non-educational Community-Based Support | 410 State Textbook Fund | Total Nonmajor Governmental Funds |
|---|--|--|--|----------------------------------|--|
| \$ - | \$ - | \$ - | \$ - | \$ 3,331 | \$ 35,705 |
| 3,468 | 55,905 | 2,302 | - | - | 123,739 |
| - | - | - | - | - | 1,525 |
| <u>3,468</u> | <u>55,905</u> | <u>2,302</u> | <u>-</u> | <u>3,331</u> | <u>160,969</u> |
| - | - | - | - | - | - |
| <u>\$ 3,468</u> | <u>\$ 55,905</u> | <u>\$ 2,302</u> | <u>\$ -</u> | <u>\$ 3,331</u> | <u>\$ 160,969</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 36,806 |
| 3,160 | 27,547 | 1,351 | - | - | 48,292 |
| - | 25,613 | 820 | - | - | 35,769 |
| 308 | 2,745 | 131 | - | - | 27,728 |
| - | - | - | - | 3,331 | 3,331 |
| <u>3,468</u> | <u>55,905</u> | <u>2,302</u> | <u>-</u> | <u>3,331</u> | <u>151,926</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | 1,525 |
| - | - | - | - | - | 7,518 |
| - | - | - | - | - | - |
| - | - | - | - | - | 9,043 |
| <u>\$ 3,468</u> | <u>\$ 55,905</u> | <u>\$ 2,302</u> | <u>\$ -</u> | <u>\$ 3,331</u> | <u>\$ 160,969</u> |

BRADY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

| | 205 | 211 | 240 | 244 |
|--|----------------|---------------------------|--|----------------------------------|
| | Head Start | ESEA Title I Part A | National School Lunch & Breakfast | Career & Technical - Basic |
| REVENUES: | | | | |
| 5700 Local and Intermediate Sources | \$ - | \$ - | \$ 164,980 | \$ - |
| 5800 State Program Revenues | - | - | 3,364 | - |
| 5900 Federal Program Revenues | <u>142,638</u> | <u>486,028</u> | <u>534,031</u> | <u>18,426</u> |
| 5020 Total Revenues | <u>142,638</u> | <u>486,028</u> | <u>702,375</u> | <u>18,426</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 118,328 | 355,468 | - | 18,426 |
| 0013 Curriculum and Instructional Staff Development | 1,349 | 25,875 | - | - |
| 0031 Guidance, Counseling, and Evaluation Services | - | 68,262 | - | - |
| 0032 Social Work Services | 22,711 | 36,423 | - | - |
| 0034 Student (Pupil) Transportation | - | - | 939 | - |
| 0035 Food Services | - | - | 886,149 | - |
| 0051 Facilities Maintenance and Operations | 250 | - | 23,915 | - |
| 0061 Community Services | - | - | - | - |
| Intergovernmental: | | | | |
| 0093 Payments to Fiscal Agent/Member Districts of SSA | - | - | - | - |
| 6030 Total Expenditures | <u>142,638</u> | <u>486,028</u> | <u>911,003</u> | <u>18,426</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>-</u> | <u>-</u> | <u>(208,628)</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| 7915 Transfers In | - | - | 210,640 | - |
| 7080 Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>210,640</u> | <u>-</u> |
| 1200 Net Change in Fund Balances | - | - | 2,012 | - |
| 0100 Fund Balance - September (Beginning) | <u>-</u> | <u>-</u> | <u>7,031</u> | <u>-</u> |
| 3000 Fund Balance - August 31 (Ending) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,043</u> | <u>\$ -</u> |

| 255 | 313 | 314 | 392 | 410 | Total |
|--|---------------------------------|-----------------------------------|---|---------------------------|-----------------------------------|
| Title II, Part A Teacher and Principal Training | SSA IDEA - Part B Formula | SSA IDEA - Part B Preschool | Non-educational Community-Based Support | State Textbook Fund | Nonmajor Governmental Funds |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 164,980 |
| - | - | - | 3,000 | 36,378 | 42,742 |
| <u>88,839</u> | <u>598,698</u> | <u>24,114</u> | <u>-</u> | <u>-</u> | <u>1,892,774</u> |
| <u>88,839</u> | <u>598,698</u> | <u>24,114</u> | <u>3,000</u> | <u>36,378</u> | <u>2,100,496</u> |
| 65,412 | 395,266 | 11,410 | - | 36,378 | 1,000,688 |
| 23,427 | 1,000 | - | - | - | 51,651 |
| - | 82,426 | 12,704 | - | - | 163,392 |
| - | - | - | 3,000 | - | 62,134 |
| - | - | - | - | - | 939 |
| - | - | - | - | - | 886,149 |
| - | - | - | - | - | 24,165 |
| - | 2,006 | - | - | - | 2,006 |
| - | 118,000 | - | - | - | 118,000 |
| <u>88,839</u> | <u>598,698</u> | <u>24,114</u> | <u>3,000</u> | <u>36,378</u> | <u>2,309,124</u> |
| - | - | - | - | - | (208,628) |
| - | - | - | - | - | 210,640 |
| - | - | - | - | - | 210,640 |
| - | - | - | - | - | 2,012 |
| - | - | - | - | - | 7,031 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,043</u> |

REQUIRED TEA SCHEDULES

BRADY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 YEAR ENDED AUGUST 31, 2016

| Last Ten Years Ended August 31 | 1 | 2 | 3 |
|--------------------------------------|-------------|--------------|---------------------------------|
| | Tax Rates | | Assessed/ Appraised Value |
| | Maintenance | Debt Service | for School Tax Purposes |
| 2007 and prior years | Various | Various | Various |
| 2008 | 1.040000 | 0.465200 | \$ 269,421,910 |
| 2009 | 1.040000 | 0.465200 | 298,114,920 |
| 2010 | 1.040000 | 0.327500 | 324,555,400 |
| 2011 | 1.040000 | 0.327500 | 363,644,370 |
| 2012 | 1.040000 | 0.327500 | 376,576,660 |
| 2013 | 1.040000 | 0.365000 | 419,043,213 |
| 2014 | 1.040000 | 0.362800 | 444,843,457 |
| 2015 | 1.040000 | 0.323360 | 472,124,211 |
| 2016 (School year under audit) | 1.040000 | 0.305200 | 472,922,316 |
| 1000 TOTALS | | | |

| 10 | 20 | 31 | 32 | 40 | 50 |
|--|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|---|
| Beginning Balance September 1, 2015 | Current Year's Total Levy | Maintenance Total Collections | Debt Service Total Collections | Entire Year's Adjustments | Ending Balance August 31, 2016 |
| \$ 28,362 | \$ | \$ 371 | \$ 63 | \$ (2,293) | \$ 25,635 |
| 4,821 | | 128 | 57 | (174) | 4,462 |
| 6,537 | | 415 | 186 | (632) | 5,304 |
| 4,922 | | 508 | 160 | (419) | 3,835 |
| 9,944 | | 1,807 | 570 | (500) | 7,067 |
| 9,488 | | 3,194 | 1,061 | (55) | 5,178 |
| 12,861 | | 5,570 | 1,955 | (69) | 5,267 |
| 24,662 | | 9,333 | 3,272 | (711) | 11,346 |
| 99,654 | | 53,513 | 16,971 | (1,180) | 27,990 |
| - | <u>6,361,751</u> | <u>4,831,901</u> | <u>1,451,429</u> | | <u>78,421</u> |
| <u>\$ 201,251</u> | <u>\$ 6,361,751</u> | <u>\$ 4,906,740</u> | <u>\$ 1,475,724</u> | <u>\$ (6,033)</u> | <u>\$ 174,505</u> |

BRADY INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 CHILD NUTRITION FUND
 FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT J-4

| Data Control Codes | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) | |
|---------------------------------|--|-----------------|-------------------|---|-----------------|
| | Original | Final | | | |
| REVENUES: | | | | | |
| 5700 | Local and intermediate sources | \$ 192,053 | \$ 192,053 | \$ 164,980 | \$ (27,073) |
| 5800 | State program revenues | 3,601 | 3,601 | 3,364 | (237) |
| 5900 | Federal program revenues | <u>523,024</u> | <u>523,024</u> | <u>534,031</u> | <u>11,007</u> |
| 5020 | Total revenues | <u>718,678</u> | <u>718,678</u> | <u>702,375</u> | <u>(16,303)</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| 0034 | Student (Pupil) Transportation | - | - | 939 | (939) |
| 0035 | Food Services | 764,274 | 908,820 | 886,149 | 22,671 |
| 0051 | Facilities Maintenance and Operations | <u>15,922</u> | <u>25,922</u> | <u>23,915</u> | <u>2,007</u> |
| 6030 | Total expenditures | <u>780,196</u> | <u>934,742</u> | <u>911,003</u> | <u>23,739</u> |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(61,518)</u> | <u>(216,064)</u> | <u>(208,628)</u> | <u>7,436</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| 7915 | Transfers In | <u>61,518</u> | <u>211,518</u> | <u>210,640</u> | <u>(878)</u> |
| 7080 | Total Other Financing Sources (Uses) | <u>61,518</u> | <u>211,518</u> | <u>210,640</u> | <u>(878)</u> |
| 1200 | Net Change in Fund Balances | - | (4,546) | 2,012 | 6,558 |
| 0100 | Fund Balance - September 1 (Beginning) | <u>7,031</u> | <u>7,031</u> | <u>7,031</u> | <u>-</u> |
| 3000 | Fund Balance - August 31 (Ending) | <u>\$ 7,031</u> | <u>\$ 2,485</u> | <u>\$ 9,043</u> | <u>\$ 6,558</u> |

BRADY INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT J-5

| Data Control Codes | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) | |
|--------------------------|--|---------------------|---------------------|---|-------------------|
| | Original | Final | | | |
| REVENUES: | | | | | |
| 5700 | Local and Intermediate Sources | \$ 1,460,796 | \$ 1,460,796 | \$ 1,527,153 | \$ 66,357 |
| 5800 | State Program Revenues | 10,000 | 10,000 | 46,020 | 36,020 |
| 5900 | Federal Program Revenues | 4,400 | 4,400 | 4,052 | (348) |
| 5020 | Total Revenues | <u>1,475,196</u> | <u>1,475,196</u> | <u>1,577,225</u> | <u>102,029</u> |
| EXPENDITURES: | | | | | |
| Debt Service: | | | | | |
| 0071 | Principal on Long Term Debt | 760,000 | 760,000 | 760,000 | - |
| 0072 | Interest on Long Term Debt | 709,195 | 709,195 | 709,195 | - |
| 0073 | Bond Issuance Costs and Fees | 6,001 | 6,001 | 1,356 | 4,645 |
| 6030 | Total Expenditures | <u>1,475,196</u> | <u>1,475,196</u> | <u>1,470,551</u> | <u>4,645</u> |
| 1200 | Net Change in Fund Balances | - | - | 106,674 | 106,674 |
| 0100 | Fund Balance - September 1 (Beginning) | <u>1,225,776</u> | <u>1,225,776</u> | <u>1,225,776</u> | - |
| 3000 | Fund Balance - August 31 (Ending) | <u>\$ 1,225,776</u> | <u>\$ 1,225,776</u> | <u>\$ 1,332,450</u> | <u>\$ 106,674</u> |

FEDERAL AWARDS SECTION

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 School Trustees of the
Brady Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brady Independent School District (the District), as of and for the year ended August 31, 2016, 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 13, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dennis Kinard & Co., PC
Certified Public Accountants

Abilene, Texas
December 13, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of School Trustees of the
Brady Independent School District

Report on Compliance for Each Major Federal Program

We have audited Brady Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2016. 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 of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2016.

Report on Internal Control Over Compliance

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

Dennis Kinard & Co., PC
Certified Public Accountants

Abilene, Texas
December 13, 2016

BRADY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2016

A. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified
2. No significant deficiencies 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 significant deficiencies 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 in accordance with 2 CFR Section 200.516(a): No
7. Major programs include:
 Title 1, Part A – Improving Basic Programs - CFDA 84.010A
8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000
9. Low risk auditee: Yes

B. Findings Related to the Financial Statements

The audit disclosed no findings required to be reported.

C. Findings and Questioned Costs Related for Federal Award Required to be Reported Under the Uniform Guidance

The audit disclosed no findings and questioned costs required to be reported.

BRADY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
YEAR ENDED AUGUST 31, 2016

A. Findings Required to be Reported in Accordance with *Government Auditing Standards*

None

B. Findings and Questioned Costs – Major Federal Award Programs Audit

None

BRADY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED AUGUST 31, 2016

EXHIBIT K-1

| (1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE | (2) Federal CFDA Number | (3) Project Number | (4) Federal Expenditures |
|--|----------------------------------|--------------------------|--------------------------------|
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | |
| Direct Program | | | |
| Impact Aid - P.L. 874 Title I | 84.041 | N/A | \$ 15,196 |
| Passed through Texas Education Agency | | | |
| ESEA Title I, Part A - Improving Basic Programs | 84.010A | 16610101160901 | 486,028 |
| SSA - IDEA - Part B, Formula*/** | 84.027 | 166600011609016000 | 598,698 |
| SSA - IDEA B Preschool*/** | 84.173 | 166610011609016000 | 24,114 |
| ESEA Title II, Part A - Teacher and Principal Training | 84.367A | 16694501160901 | 88,839 |
| Carl D. Perkins Basic Formula Grant | 84.048A | 16420006160901 | 18,426 |
| Total Passed Through Texas Education Agency | | | <u>1,216,105</u> |
| TOTAL DEPARTMENT OF EDUCATION | | | <u>1,231,301</u> |
| <u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u> | | | |
| Passed through ESC Region 15: | | | |
| Head Start | 93.600 | 06CH7152/01 | 142,638 |
| Total Passed Through ESC Region 15 | | | <u>142,638</u> |
| TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES | | | <u>142,638</u> |
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | |
| Child Nutrition Cluster | | | |
| Passed through Texas Education Agency | | | |
| School Breakfast Program* | 10.553 | 71401501 | 168,978 |
| National School Lunch Program* - cash assistance | 10.555 | 71301501 | 319,180 |
| Total Passed Through Texas Education Agency | | | <u>488,158</u> |
| Passed through the Multi Regional Purchasing Cooperative | | | |
| National School Lunch Program* - non cash assistance | 10.555 | N/A | 45,873 |
| Total Passed Through the Multi Regional Purchasing Cooperative | | | <u>45,873</u> |
| Total Child Nutrition Cluster | | | <u>534,031</u> |
| TOTAL DEPARTMENT OF AGRICULTURE | | | <u>534,031</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 1,907,970</u> |

*Clustered Programs as required by 2 CFR Part 200, Appendix XI, Compliance Supplement, June 2016.

**Total Special Education Cluster \$ 622,812

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1: The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended August 31, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 assets, or cash flows of the District.

Note 2: The District utilizes the fund types specified in the Resource Guide.

Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state awards generally are accounted for in Special Revenue Funds. Generally, unused balances are returned to the grantor at the close of specified project periods.

Note 3: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal expenditures were accounted for in the General Fund and Special Revenue Funds, components of the Governmental Fund type.

The modified accrual basis of accounting is used for the Governmental Fund Types in the fund financial statements. 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 fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grants 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 revenue until earned.

Note 4: The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in 2 CFR Part 200, Appendix XI, Compliance Supplement Part 3, Section H, Period of Performance.

Note 5: Medicaid revenues are considered earned income at the local government level and thus are not included in the Schedule of Expenditures of Federal Awards. The following is a reconciliation of Federal Revenues on Exhibit C-2 to the Schedule of Expenditures of Federal Awards:

| | |
|---|--------------|
| Federal Awards per Schedule of Expenditures | |
| of Federal Awards | \$ 1,907,970 |
| Medical reimbursements (SHARS) | 98,640 |
| Qualified School Construction Bond interest subsidy | 4,052 |
| Total Federal Program Revenues - Exhibit C-2 | \$ 2,010,662 |

Note 6: The District is not eligible to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance because the District has previously received a negotiated indirect cost rate for its federal awards.

Note 7: Of the federal expenditures presented in the schedule, the District provided federal awards to subrecipients as follows:

| Program Title | Federal CFDA Number | Amount Provided to Subrecipients |
|---------------|------------------------|-------------------------------------|
| IDEA-B | 84.027 | \$ 118,000 |

BRADY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF AUGUST 31, 2016

EXHIBIT L-1

| <u>Data Control Codes</u> | | <u>Responses</u> |
|-----------------------------------|---|------------------|
| SF2 | Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations? | No |
| SF4 | Did the district receive a clean audit? Was there an unmodified opinion in the Annual Financial Report? | Yes |
| SF5 | Did the Annual Financial Report disclose any instances of material weaknesses in internal controls? | No |
| SF6 | Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? | No |
| SF7 | Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? | Yes |
| SF8 | Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship? | Yes |
| SF10 | Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end. | \$ - |
| SF11 | Net Pension Assets (1920) at fiscal year-end. | \$ - |
| SF12 | Net Pension Liabilities (2540) at fiscal year-end. | \$ 2,712,056 |
| SF13 | Pension Expense (6147) at fiscal year-end. | \$ 585,343 |