

**COLUMBIA-BRAZORIA
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2017**

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

THIS PAGE LEFT BLANK INTENTIONALLY.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report
For the Year Ended June 30, 2017*

Table of Contents

<u>Exhibit Number</u>		<u>Page Number</u>
Introductory Section		
	Certificate of Board	7
Financial Section		
	Independent Auditor's Report	11-12
	Management's Discussion and Analysis.....	13-23
	Basic Financial Statements:	
A-1	Statement of Net Position	25
B-1	Statement of Activities	26
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	27
C-1R	Reconciliation of C-1.....	28
C-2	Statement of Revenues, Expenditures, and Changes in Fund Balances	29
C-2R	Reconciliation of C-2.....	30
	Proprietary Fund Financial Statements:	
D-1	Statement of Net Position	31
D-2	Statement of Revenues, Expenses and Changes in Net Position	32
D-3	Statement of Cash Flows.....	33
	Fiduciary Fund Financial Statements:	
E-1	Statement of Fiduciary Net Position	34
	Notes to the Financial Statements.....	35-71
Required Supplementary Information		
G-1	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual: General Fund	74
G-2	Schedule of Proportionate Share of the Net Pension Liability and Related Ratios – Cost Sharing Employer Plan	75
G-3	Schedule of Required Contributions – Cost Sharing Employer Plan.....	76
Other Supplementary Information		
	Nonmajor Governmental Funds:	
H-1	Combining Balance Sheet	78-79
H-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	80-81
	Internal Service Funds:	
H-3	Combining Statement of Net Position.....	82
H-4	Combining Statement of Revenues, Expenses and Changes in Net Position.....	83
H-5	Combining Statement of Cash Flows	84
	Required Texas Education Agency Schedules:	
J-1	Schedule of Delinquent Taxes Receivable	86-87
J-3	Fund Balance and Cash Flow Calculation Worksheet.....	88
J-4	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Food Service Special Revenue Fund.....	89
J-5	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Debt Service Fund.....	90

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report
For the Year Ended June 30, 2017*

Table of Contents - Continued

<u>Exhibit Number</u>		<u>Page Number</u>
	Federal Award 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 <i>Government Auditing Standards</i>	93-94
	Independent Auditor's Report on Compliance for each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	95-96
	Schedule of Findings and Questioned Costs.....	97
	Schedule of Status of Prior Findings	98
	Corrective Action Plan	99
K-1	Schedule of Expenditures of Federal Awards.....	100-101
	Notes on Accounting Policies for Federal Awards.....	102

The Following Exhibits Were Not Applicable to the Columbia-Brazoria Independent School District:

	Fiduciary Fund Financial Statements	
E-2	Statement of Changes in Fiduciary Net Position	
	Combining Statement for Major Component Units:	
F-1	Combining Statement of Net Position.....	
F-2	Combining Statement of Activities	

INTRODUCTORY SECTION

THIS PAGE LEFT BLANK INTENTIONALLY.

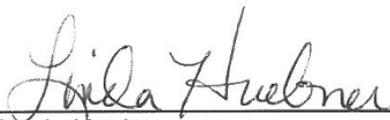
CERTIFICATE OF BOARD

Columbia-Brazoria
Independent School District
Name of School District

Brazoria
County

020-907
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended June 30, 2017, at a meeting of the board of trustees of such school district on the 17th day of October 2017.



Linda Huebner
Signature of Board Secretary



Jonathan Champagne
Signature of Board President

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

THIS PAGE LEFT BLANK INTENTIONALLY.

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY.

Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS
Limited Liability Company

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

Angleton Office:
2801 N. Velasco Suite C
Angleton, Texas 77515
979-849-8297

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

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

Independent Auditor's Report

To the Board of Trustees
Columbia-Brazoria Independent School District
West Columbia, Texas 77486

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Columbia-Brazoria Independent School District (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 Columbia-Brazoria Independent School District, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 23, budgetary comparison information on page 74, and the required pension schedules on pages 75 and 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and the required Texas Education Agency schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 combining and individual nonmajor fund financial statements, the required Texas education Agency schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the required Texas Education Agency schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2017, 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 solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kennemer, Masters & Hunsford, LLC

Lake Jackson, Texas
October 6, 2017

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

As management of the Columbia-Brazoria Independent School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent period by \$ 16,767,532 (*net position*). Of this amount, \$ 6,495,173 (*unrestricted net position*) may be used to meet the District's ongoing obligations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 11,311,305. Approximately 77 percent of this total amount, \$ 8,698,951, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 8,832,844, or 34 percent of the total general fund expenditures.
- During the year, the District had expenses that were \$ 793,576 more than the \$ 31,579,195 generated in tax and other revenues for governmental programs.
- During the year, the District reported net pension liability of \$ 6,482,991, at June 30, 2017, with the implementation of GASB Statements Nos. 68 and 71. This compares to last year's June 30, 2016 balance of \$ 5,930,375.

Overview of the Financial Statements

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

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

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

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no *business-type activities* and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 25 and 26 of this report.

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

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

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District maintains twelve governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and capital projects fund, all of which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund, food service special revenue fund, and debt service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 27 through 30 of this report.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

- **Proprietary funds.** *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. As mentioned above in the government-wide definition, the District has no *business-type activities* or *enterprise funds*. The second type of proprietary fund is the *internal service fund*. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the *internal service fund* to report activities for its self-funded unemployment compensation and workers' compensation insurance programs. The basic proprietary fund financial statements can be found on pages 31 through 33 of this report.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position that can be found on page 34. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35 through 71 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 74 through 76 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements can be found on pages 78 through 84 of this report. Other schedules are to be found on pages 86 through 90 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 16,767,532 as of June 30, 2017. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 17,561,108 as of June 30, 2016.

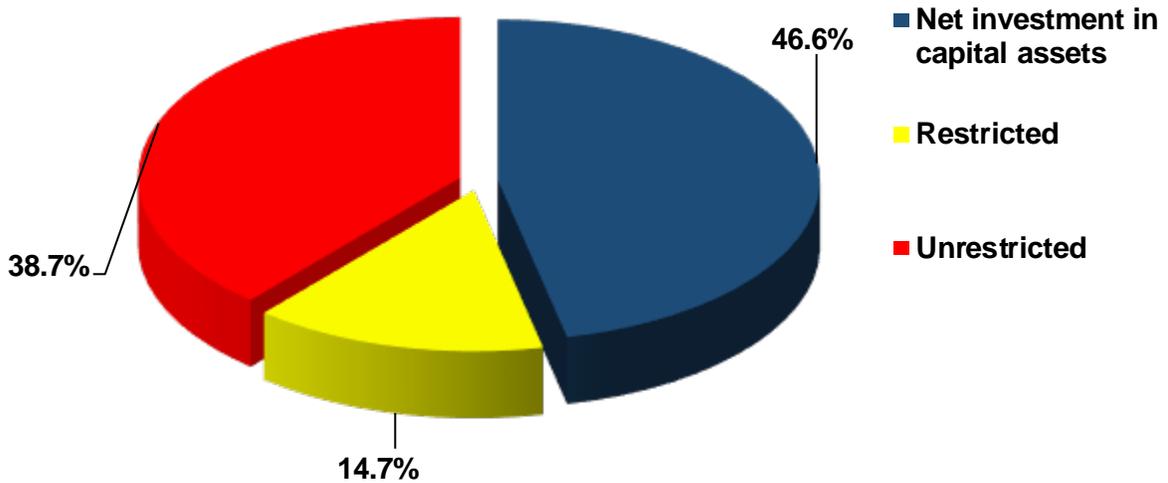
COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

The District's Net Position

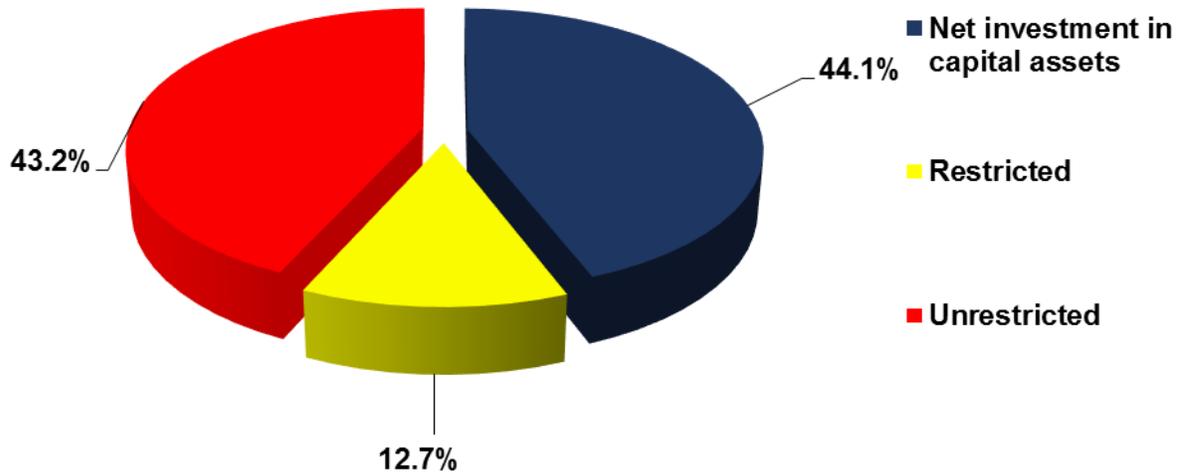
	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 15,526,867	\$ 16,210,355
Capital assets	<u>45,032,797</u>	<u>46,500,371</u>
Total assets	<u>60,559,664</u>	<u>62,710,726</u>
Deferred outflows of resources	<u>3,769,819</u>	<u>3,710,550</u>
Long-term liabilities outstanding	43,709,969	44,678,902
Other liabilities	<u>2,775,797</u>	<u>3,169,351</u>
Total liabilities	<u>46,485,766</u>	<u>47,848,253</u>
Deferred inflows of resources	<u>1,076,185</u>	<u>1,011,915</u>
Net position:		
Net investment in capital assets	7,805,819	7,751,844
Restricted	2,466,540	2,225,414
Unrestricted	<u>6,495,173</u>	<u>7,583,850</u>
Total net position	<u>\$ 16,767,532</u>	<u>\$ 17,561,108</u>

Investment in capital assets (e.g., land, buildings and improvements, furniture, equipment, vehicles, and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$ 7,805,819. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position (approximately 15 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$ 6,495,173 may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having long-term commitments that are less than currently available resources.

2017 Net Position Percentages



2016 Net Position Percentages



COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

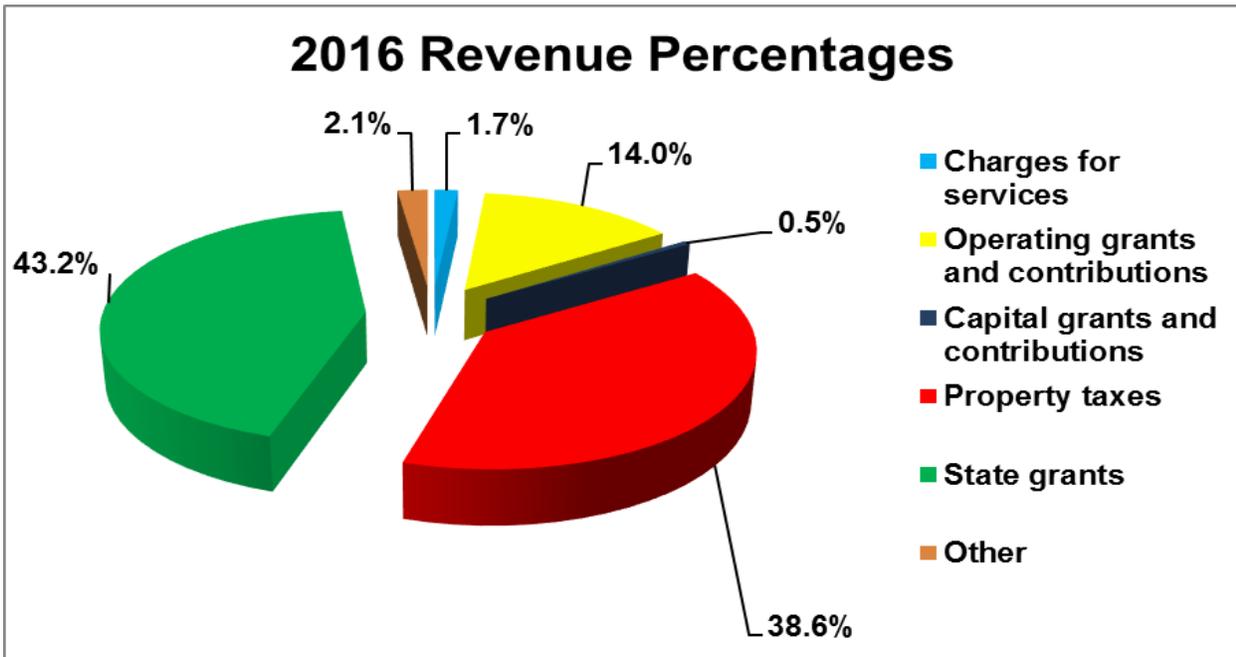
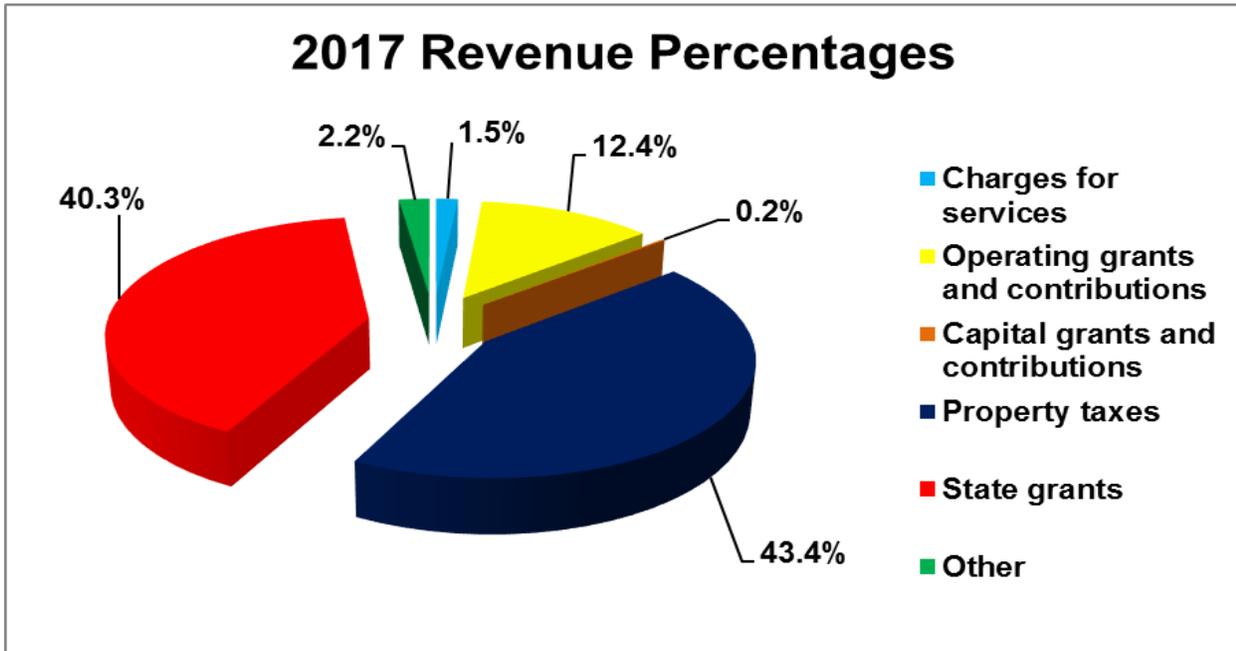
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Governmental activities. The District's total net position decreased by \$ 793,576. The total cost of all *governmental activities* this year was \$ 32,372,771. The amount that our taxpayers paid for these activities through property taxes was \$ 13,708,354 or 42%. The amount of costs that were paid by those who directly benefited from the programs was \$ 485,853 or 2%. The costs that were paid by other governments and organizations that subsidized certain programs with grants and contributions or by State equalization funding were \$ 3,972,891 or 12% and \$ 12,731,563 or 39%, respectively.

Changes in the District's Net Position

	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 485,853	\$ 483,015
Operating grants and contributions	3,911,846	4,092,831
Capital grants and contributions	61,045	150,633
General revenues:		
Property taxes	13,708,354	11,276,707
State grants	12,731,563	12,618,812
Other	<u>680,534</u>	<u>622,736</u>
Total revenues	<u>31,579,195</u>	<u>29,244,734</u>
Expenses:		
Instruction	17,456,813	16,585,736
Instructional resources & media services	538,041	481,375
Curriculum & staff development	221,367	239,753
Instructional leadership	245,084	213,519
School leadership	1,693,466	1,576,622
Guidance, counseling & evaluation services	730,535	744,000
Social work services	78,246	26,382
Health services	290,010	280,991
Student transportation	1,508,131	1,413,401
Food service	1,642,154	1,793,762
Extracurricular activities	1,076,130	1,463,467
General administration	1,235,539	1,123,585
Plant maintenance and operations	3,263,734	3,224,627
Security and monitoring services	341,962	405,951
Data processing services	819,483	901,999
Community services	4,903	6,912
Debt service-interest and fees on long-term debt	1,140,659	1,351,830
Facilities acquisition and construction		60,210
Payments for juvenile justice alternative education	1,200	10,000
Other intergovernmental charges	<u>85,314</u>	<u>77,621</u>
Total expenses	<u>32,372,771</u>	<u>31,981,743</u>
Change in net position	(793,576)	(2,737,009)
Beginning net position	<u>17,561,108</u>	<u>20,298,117</u>
Ending net position	<u>\$ 16,767,532</u>	<u>\$ 17,561,108</u>



Financial Analysis of the District's Funds

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

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 11,311,305, a decrease of \$ 106,316 from last year's combined balance of \$ 11,417,621. Approximately 77% of this total amount (\$ 8,698,951) constitutes *unassigned fund balance*. The remainder of fund balance is *non-spendable, restricted, or committed* to indicate that it is not available for new spending because it has already been committed 1) for inventory \$ 30,480, 2) for prepaid items \$ 267,727, and 3) to pay debt service \$ 2,314,147.

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 8,832,844, while the total fund balance was \$ 9,110,290. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 34% of the total general fund expenditures, while total fund balance represents 35% of that same amount.

The fund balance of the District's general fund decreased by \$ 239,948 or 2.6% during the current fiscal period compared to last year's total general fund balance of \$ 9,350,238. Revenues increased approximately 8.1% from prior year from \$ 23,826,482 to \$ 25,755,426. Expenditures decreased approximately 0.3% from prior year from \$ 26,045,676 to \$ 25,979,004.

The debt service fund has a total fund balance of \$ 2,314,147, all of which is restricted for the payment of debt service. The debt service fund balance increased by \$ 280,240 or 13.8% from last year's fund balance of \$ 2,033,907. The net increase in fund balance is due to an increase in revenues garnered from property taxes and from state program revenues.

Proprietary funds. As mentioned earlier, the District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at June 30, 2017 amounted to a surplus of \$ 647,684. The total decrease in net position was \$ 132,333 from last year's net asset balance of \$ 780,017.

General Fund Budgetary Highlights

Over the course of the year, the District recommended and the Board approved revisions to appropriations. These amendments fall into the following categories:

- Amendments approved shortly after the beginning of the new fiscal period for amounts reserved and designated in the prior year.
- Amendments to budget for donations received during the period.
- Amendments during the period for unexpected occurrences.
- Amendments for special projects and purchases allowed from unexpected revenue sources and fund balance.

Following is a summary of amendments made to appropriations:

- \$ 463,245 for incomplete projects or purchases ordered in previous fiscal year but not received.
- \$ 752,894 for special facility projects and vehicles approved from reserves.
- \$ 57,328 of donations received during the period.
- \$ 410,746 unexpected revenues and expenses appropriated.

After appropriations were amended as described above, general fund actual revenues were above final budget by \$ 1,052,481. General fund actual expenditures were \$ 1,258,383 below final budget appropriations. The major portion of this positive variance in expenditures resulted from estimated versus actual instructional salaries, contracted services, and special maintenance projects not started and/or completed by fiscal year end.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

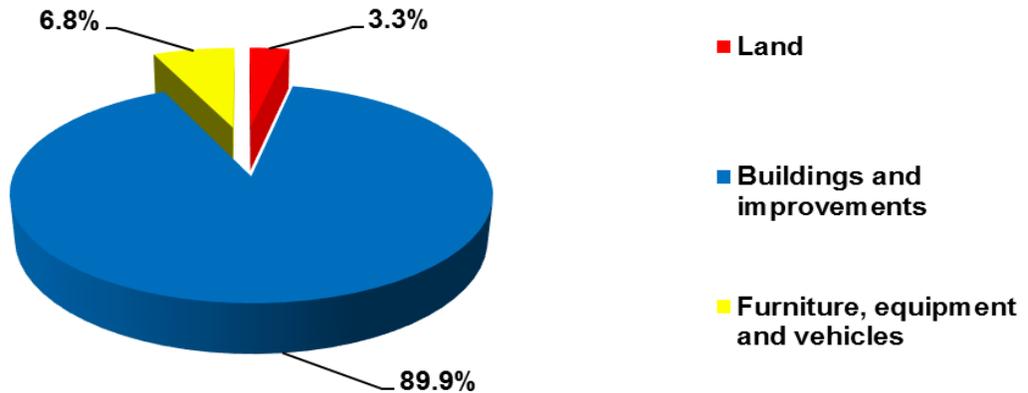
Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2017 amounts to \$ 45,032,797 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and building improvements, furniture, equipment and vehicles, and construction in progress.

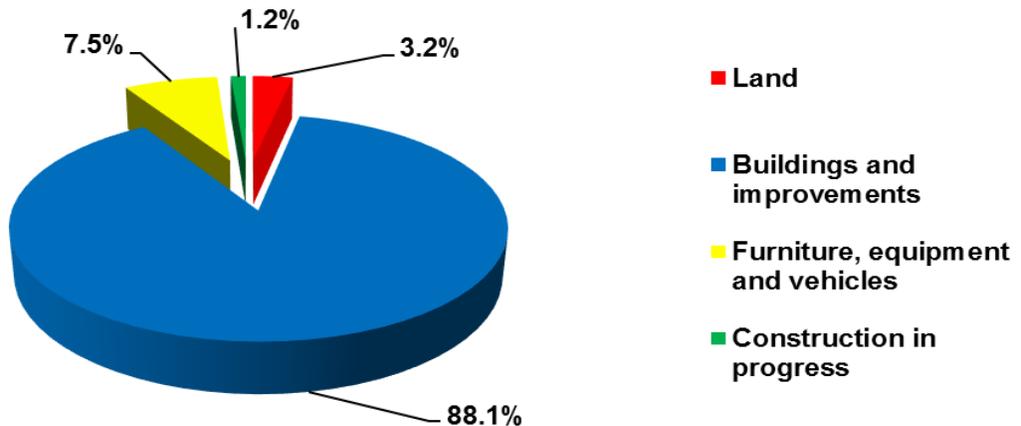
**District's Capital Assets
(net of depreciation)**

	June 30, 2017	June 30, 2016
Land and land improvements	\$ 1,488,426	\$ 1,488,426
Buildings and improvements	40,490,798	40,942,568
Furniture, equipment and vehicles	3,053,573	3,500,692
Construction in progress		568,685
Total at historical cost	<u>\$ 45,032,797</u>	<u>\$ 46,500,371</u>

2017 Percentage Net Capital Assets



2016 Percentage Net Capital Assets



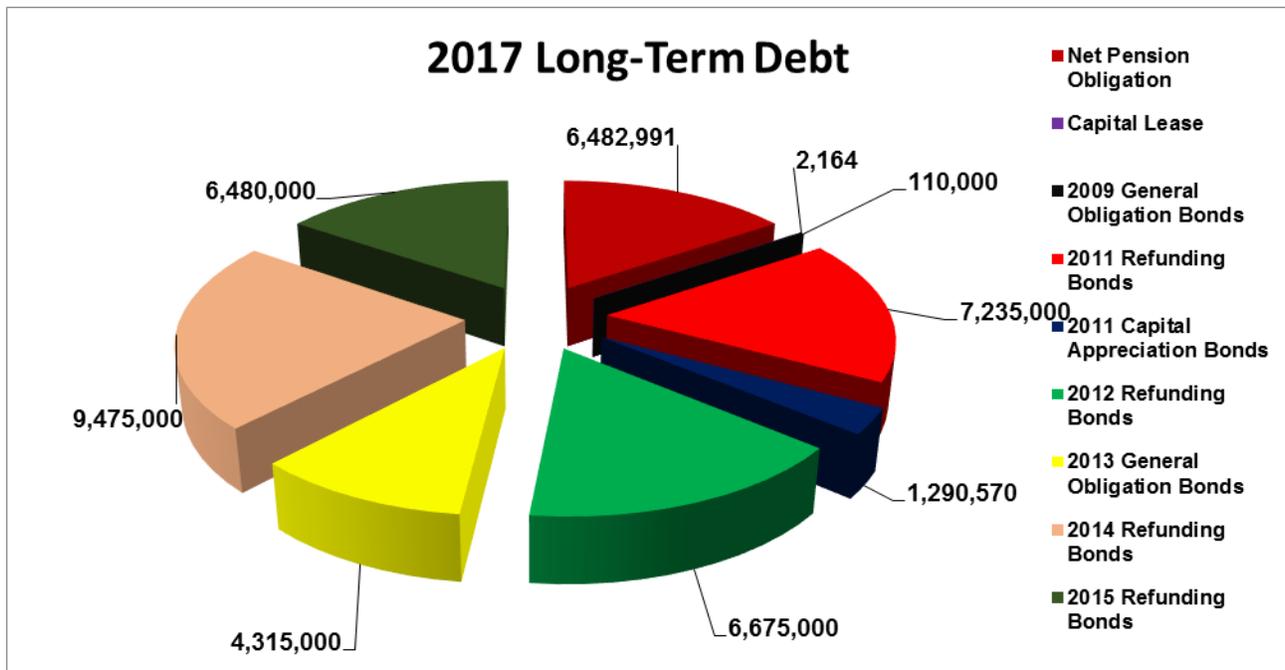
COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Additional information on the District's capital assets can be found in Note 5 on pages 56 and 57 of this report.

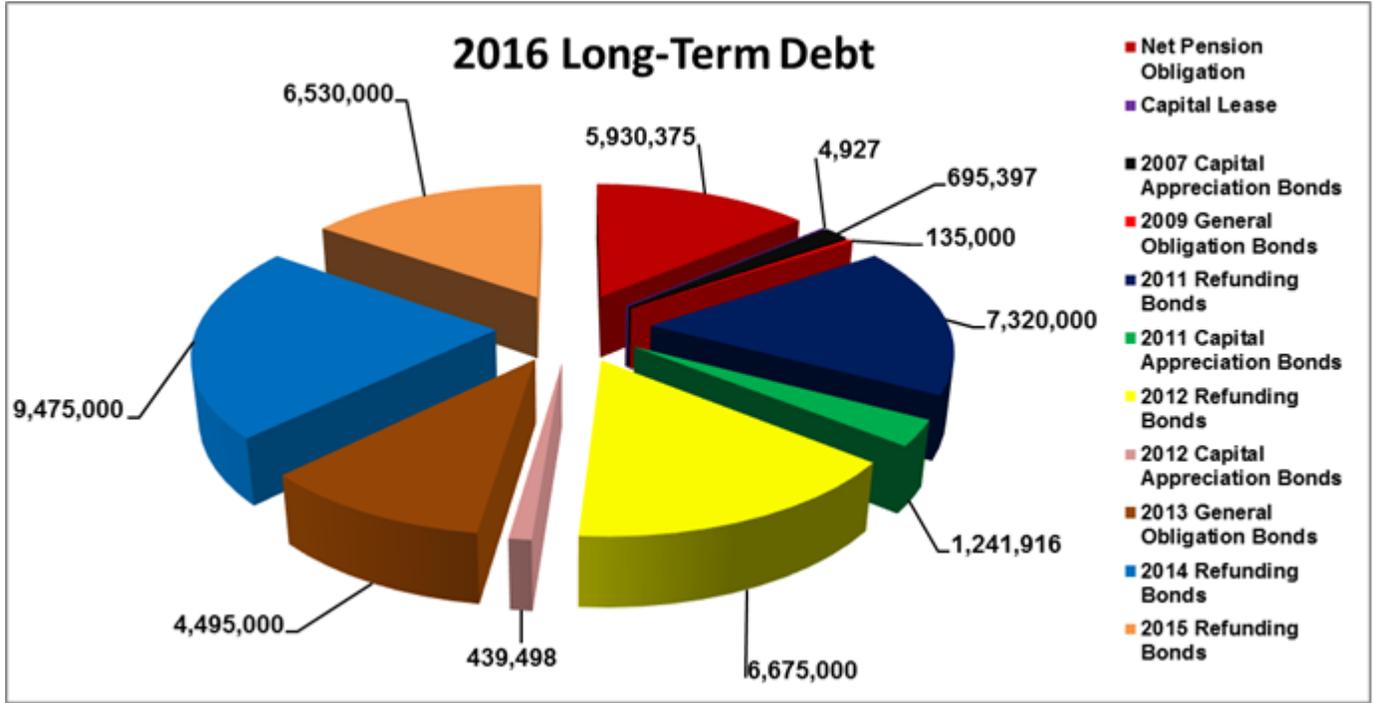
Long-term debt. At June 30, 2017, the District had total long-term debt outstanding of \$ 43,709,969, a decrease of \$ 968,933 from the previous year. Long-term debt is made of the following:

District's Long-Term Debt

	June 30, 2017	June 30, 2016
General Obligation Bonds	\$ 35,580,570	\$ 37,006,811
Capital Lease	2,164	4,926
Net pension obligation	6,482,991	5,930,375
Components of Long-Term Debt:		
Premium on general obligation bonds	1,171,806	1,263,257
Accrued interest payable	<u>472,438</u>	<u>473,533</u>
Total	<u>\$ 43,709,969</u>	<u>\$ 44,678,902</u>



COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2017



The “AAA” long term rating on the District’s Texas’ bond reflects the Texas Permanent School Fund guarantee. The Standard and Poors “AAA” rating means the District’s bonds possess favorable investment attributes and are to be considered as strong.

Additional information on the District’s long-term debt can be found in Note 6 on pages 57 through 61 of this report.

Economic Factors and Next Year’s Budgets and Rates

- The District has seen varying student enrollment declining in some years and increasing in others. So far in 2017-2018, enrollment is at a 3.4% decrease over the previous year.
- The District’s 2017 taxable valuation has increased by 19.5% since last year. The District currently has a \$ 25,000 optional homestead exemption and a maintenance and operations tax rate of \$ 1.04 for 2017, the maximum tax rate allowed by state law. The District is expected to see no increase in state revenues for 2017-2018. The District is very dependent on the state aid as it receives approximately 48% of total general fund revenues from the State.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Director of Business Services, Columbia-Brazoria Independent School District, P.O. Box 158, West Columbia, Texas, 77486.

THIS PAGE LEFT BLANK INTENTIONALLY.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

Exhibit A-1
Page 1 of 1

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	ASSETS:	
1110	Cash and cash equivalents	\$ 10,429,278
1220	Property taxes receivable	1,045,003
1230	Allowance for uncollectible taxes	(85,928)
1240	Due from other governments	3,790,348
1290	Other receivables (net)	49,959
1300	Inventories	30,480
1410	Prepaid items	267,727
	Capital Assets:	
1510	Land and land improvements	1,488,426
1520	Building, furniture and equipment, net	40,490,798
1530	Furniture, equipment and vehicles, net	<u>3,053,573</u>
1000	Total assets	<u>60,559,664</u>
	DEFERRED OUTFLOWS OF RESOURCES:	
1705	Deferred outflows of resources	<u>3,769,819</u>
	Total deferred outflows of resources	<u>3,769,819</u>
	LIABILITIES:	
2110	Accounts payable	227,919
2160	Accrued wages payable	2,347,758
2165	Accrued liabilities	124,973
2300	Unearned revenue	75,147
	Noncurrent Liabilities:	
2501	Due within one year	2,025,493
2502	Due in more than one year	35,201,485
2540	Net pension liability	<u>6,482,991</u>
2000	Total liabilities	<u>46,485,766</u>
	DEFERRED INFLOWS OF RESOURCES:	
2600	Deferred inflows of resources	<u>1,076,185</u>
	Total deferred inflows of resources	<u>1,076,185</u>
	NET POSITION:	
3200	Net investment in capital assets	7,805,819
	Restricted For:	
3850	Debt service	2,466,540
3900	Unrestricted	<u>6,495,173</u>
3000	Total net position	<u>\$ 16,767,532</u>

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Exhibit B-1
Page 1 of 1

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
			3 Charges for Services	4 Operating Grants and Contributions	5 Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES:						
11	Instruction	\$ 17,456,813	\$	\$ 2,110,741	\$	\$(15,346,072)
12	Instructional resources and media services	538,041		20,085		(517,956)
13	Curriculum and staff development	221,367		62,267		(159,100)
21	Instructional leadership	245,084		42,001		(203,083)
23	School leadership	1,693,466		73,159		(1,620,307)
31	Guidance, counseling, and evaluation services	730,535		172,059		(558,476)
32	Social work services	78,246		77,751		(495)
33	Health services	290,010		9,779		(280,231)
34	Student transportation	1,508,131		60,733	61,045	(1,386,353)
35	Food service	1,642,154	380,669	1,043,126		(218,359)
36	Extracurricular activities	1,076,130	105,184	27,551		(943,395)
41	General administration	1,235,539		40,792		(1,194,747)
51	Plant maintenance and operations	3,263,734		121,693		(3,142,041)
52	Security and monitoring services	341,962		17,823		(324,139)
53	Data processing services	819,483		32,286		(787,197)
61	Community services	4,903				(4,903)
72	Interest on long-term debt	1,135,959				(1,135,959)
73	Bond issuance costs and fees	4,700				(4,700)
95	Payments for juvenile justice alternative education programs	1,200				(1,200)
99	Other intergovernmental charges	85,314				(85,314)
TG	Total governmental activities	\$ 32,372,771	\$ 485,853	\$ 3,911,846	\$ 61,045	\$(27,914,027)
General Revenues:						
Taxes:						
MT	Property taxes, levied for general purposes					\$ 11,094,725
DT	Property taxes, levied for debt service					2,613,629
SF	State aid-formula grants					12,731,563
GC	Grants and contributions not restricted to specific programs					89,774
IE	Investment earnings					63,139
MI	Miscellaneous					523,221
S1	Special item – gain on sale of fixed assets					4,400
TG	Total general revenues, special items, and transfers					27,120,451
CN	Change in net position					(793,576)
NB	Net position – beginning					17,561,108
NE	Net position – ending					\$ 16,767,532

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2017

Exhibit C-1
Page 1 of 1

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:					
Assets:					
1110	Cash and cash equivalents	\$ 7,381,296	\$ 2,252,402	\$ 21,743	\$ 9,655,441
1220	Taxes receivable - delinquent	850,200	194,803		1,045,003
1230	Allowance for uncollectible taxes (credit)	(75,138)	(10,790)		(85,928)
1240	Receivables from other governments	3,475,905	30,125	284,318	3,790,348
1260	Due from other funds	161,653			161,653
1290	Other receivables	49,953			49,953
1300	Inventories	11,693		18,787	30,480
1410	Prepaid items	265,753		1,974	267,727
1000	Total assets	<u>12,121,315</u>	<u>2,466,540</u>	<u>326,822</u>	<u>14,914,677</u>
Deferred outflows of resources:					
1700	Deferred outflows of resources				-0-
	Total deferred outflows of resources	-0-	-0-	-0-	-0-
1000A	Total assets and deferred outflows of resources	<u>\$ 12,121,315</u>	<u>\$ 2,466,540</u>	<u>\$ 326,822</u>	<u>\$ 14,914,677</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
2110	Accounts payable	\$ 219,764		\$ 6,975	\$ 226,739
2160	Accrued wages payable	2,127,433		220,325	2,347,758
2170	Due to other funds			161,647	161,647
2300	Unearned revenue	24,140		51,007	75,147
2000	Total liabilities	<u>2,371,337</u>	<u>-0-</u>	<u>439,954</u>	<u>2,811,291</u>
Deferred inflows of resources:					
2600	Deferred inflows of resources – property taxes	639,688	152,393		792,081
	Total deferred inflows of resources	<u>639,688</u>	<u>152,393</u>	<u>-0-</u>	<u>792,081</u>
Fund Balances:					
Non-Spendable:					
3410	Inventories	11,693		18,787	30,480
3430	Prepaid items	265,753		1,974	267,727
Restricted Items:					
3480	Debt service		2,314,147		2,314,147
Unassigned:					
3600	Unassigned	8,832,844		(133,893)	8,698,951
3000	Total fund balances	<u>9,110,290</u>	<u>2,314,147</u>	<u>(113,132)</u>	<u>11,311,305</u>
4000	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,121,315</u>	<u>\$ 2,466,540</u>	<u>\$ 326,822</u>	<u>\$ 14,914,677</u>

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
JUNE 30, 2017

Exhibit C-1R
Page 1 of 1

Total fund balances – governmental funds balance sheet (C-1) \$ 11,311,305

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 80,252,519 in assets less \$ 35,219,722 in accumulated depreciation.	45,032,797
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. Deferred property tax revenues for the general fund and the debt service fund amounted to \$ 639,688 and \$ 152,393, respectively.	792,081
The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	647,684
Payments for pension contributions from the TRS actuary date to the District's year-end are reported as expenditures in the funds and deferred outflows of resources in the governmental activities statement of position.	483,552
Pension deferred outflows of resources of \$ 3,286,267 and pension deferred inflows of resources of \$ 1,074,039.	2,212,228
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds increase long-term liabilities in the statement of net position. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds was \$ 1,171,806 (premium on sale of bonds of \$ 1,535,766 less amortization costs of \$ 363,960).	(1,171,806)
Gain on termination of a capital lease provide current financial resources to governmental funds but the proceeds increase long-term liabilities in the statement of net position. This amount is amortized over the life of the operating lease substituted for the capital lease. Net gain on the termination of the capital lease was \$ 2,146 (gain of termination of capital lease of \$ 16,118 less amortization costs of \$ 13,972).	(2,146)
Payable for net pension obligation are not reported in the funds.	(6,482,991)
Payables for bond principal are not reported in the funds.	(35,580,570)
Payables for bond interest are not reported in the funds	(472,438)
Payables for capital lease principal are not reported in the funds.	<u>(2,164)</u>
Net position of governmental activities – statement of net position (A-1)	<u>\$ 16,767,532</u>

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

Exhibit C-2
Page 1 of 1

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:					
5700	Local and intermediate sources	\$ 11,771,311	\$ 2,677,325	\$ 380,669	\$ 14,829,305
5800	State program revenues	13,453,102	229,939	226,008	13,909,049
5900	Federal program revenues	<u>531,013</u>		<u>2,354,167</u>	<u>2,885,180</u>
5020	Total revenues	<u>25,755,426</u>	<u>2,907,264</u>	<u>2,960,844</u>	<u>31,623,534</u>
EXPENDITURES:					
Current:					
0011	Instruction	14,348,300		1,242,658	15,590,958
0012	Instructional resources and media services	487,357			487,357
0013	Curriculum and staff development	162,870		56,749	219,619
0021	Instructional leadership	185,031		30,709	215,740
0023	School leadership	1,507,654			1,507,654
0031	Guidance, counseling, and evaluation services	549,827		129,182	679,009
0032	Social work services			77,751	77,751
0033	Health services	283,146			283,146
0034	Student transportation	1,247,101			1,247,101
0035	Food Service			1,591,173	1,591,173
0036	Extracurricular activities	997,487			997,487
0041	General administration	1,108,299			1,108,299
0051	Plant maintenance and operations	3,493,134			3,493,134
0052	Security and monitoring services	332,887			332,887
0053	Data processing services	749,419			749,419
0061	Community services	4,903			4,903
0071	Principal on long-term debt	27,762	1,465,000		1,492,762
0072	Interest on long-term debt	6,616	1,158,130		1,164,746
0073	Bond issuance costs and fees	806	3,894		4,700
0081	Facilities acquisition and construction	399,891			399,891
0095	Payments for juvenile justice alternative education programs	1,200			1,200
0099	Other intergovernmental charges	<u>85,314</u>			<u>85,314</u>
6030	Total expenditures	<u>25,979,004</u>	<u>2,627,024</u>	<u>3,128,222</u>	<u>31,734,250</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(223,578)</u>	<u>280,240</u>	<u>(167,378)</u>	<u>(110,716)</u>
OTHER FINANCING SOURCES (USES):					
7912	Sale of real or personal property	4,400			4,400
7915	Transfers in			20,770	20,770
8911	Transfers out	<u>(20,770)</u>			<u>(20,770)</u>
	Total other financing sources and (uses)	<u>(16,370)</u>	<u>-0-</u>	<u>20,770</u>	<u>4,400</u>
1200	Net change in fund balances	<u>(239,948)</u>	<u>280,240</u>	<u>(146,608)</u>	<u>(106,316)</u>
0100	Fund balances – beginning	<u>9,350,238</u>	<u>2,033,907</u>	<u>33,476</u>	<u>11,417,621</u>
3000	Fund balances – ending	<u>\$ 9,110,290</u>	<u>\$ 2,314,147</u>	<u>\$ (113,132)</u>	<u>\$ 11,311,305</u>

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Exhibit C-2R
Page 1 of 2

Net change in fund balances – total governmental funds (from C-2)	\$(106,316)
Amounts reported for <i>governmental activities</i> in the statement of activities (B-1) are different because:	
Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation of \$ 2,197,386 exceeds capital outlay of \$ 729,872 in the current period.	(1,467,574)
Governmental funds report pension payments as expenditures. However, in the governmental activities statement of activities, the pension cost is calculated by actuary and involves multiple factors. The amount of pension expense reported was \$ 531,047 less than the amount reported in the funds.	(531,047)
Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. The decrease in unearned property tax revenues for the general fund and the debt service fund amounted to \$ 45,647 and \$ 5,638, respectively.	(51,285)
Accretion of capital appreciation bonds increases debt service interest expense in the governmental activities statement of activity but is not reported in governmental funds.	(63,759)
Change in net pension deferred outflows of resources and pension deferred inflows of resources.	(29,794)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net position. The amount of debt principal payments for general obligation bonded debt \$ 1,490,000; and capital leases \$ 2,762.	1,492,762
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net position. This amount is amortized over the life of the bonds. Current year amortization of bond premium is \$ 91,451.	91,451
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in accrued interest on long-term debt \$ 1,095.	1,095
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported in the governmental activities statement of activities (see D-2)	(132,333)
Gain on termination of a capital lease provide current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net position. This amount is amortized over the operating lease substituted for the capital lease. Net gain on termination of capital lease was \$ 3,224.	<u>3,224</u>
Change in net position of governmental activities (see B-1)	<u>\$(793,576)</u>

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS
JUNE 30, 2017

Exhibit D-1
Page 1 of 1

<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Funds (See H-3)</u>
	ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	
	Assets:	
1110	Cash and cash equivalents	\$ <u>773,837</u>
	Total assets	<u>773,837</u>
	Deferred outflows of resources:	
1700	Deferred outflows of resources	<u> </u>
	Total deferred outflows of resources	<u>-0-</u>
	Total assets and deferred outflows of resources	<u>\$ 773,837</u>
	LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:	
	Liabilities:	
2110	Accounts payable	\$ 1,180
2165	Accrued expenses payable	<u>124,973</u>
	Total liabilities	<u>126,153</u>
	Deferred inflows of resources:	
2600	Deferred inflows of resources	<u> </u>
	Total deferred inflows of resources	<u>-0-</u>
	Net position:	
3900	Unrestricted net position	<u>647,684</u>
	Total net position	<u>647,684</u>
	Total liabilities, deferred inflows of resources, and net position	<u>\$ 773,837</u>

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2017

Exhibit D-2
Page 1 of 1

	Governmental Activities Internal Service Funds (See H-4)
Operating Revenues:	
Charges for services	\$ <u>39,222</u>
Total operating revenues	<u>39,222</u>
Operating Expenses:	
Insurance claims and expenses	57,246
Payroll costs	<u>116,855</u>
Total operating expenses	<u>174,101</u>
Operating income	(<u>134,879</u>)
Nonoperating Revenues:	
Interest and investment revenue	<u>2,546</u>
Total nonoperating revenues	<u>2,546</u>
Change in net position	(132,333)
Net position – beginning	<u>780,017</u>
Net position – ending	<u>\$ 647,684</u>

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2017

Exhibit D-3
Page 1 of 1

	Governmental Activities Internal Service Funds (See H-5)
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 39,222
Claims paid	<u>(192,610)</u>
Net cash used by operating activities	<u>(153,388)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Net cash provided (used) by noncapital financing activities	<u>-0-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Net cash provided (used) by capital and related financing activities	<u>-0-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and dividends	<u>2,546</u>
Net cash provided by investing activities	<u>2,546</u>
Net decrease in cash and cash equivalents	<u>(150,842)</u>
Cash and cash equivalents – beginning	<u>924,679</u>
Cash and cash equivalents – ending	<u>\$ 773,837</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating loss	<u>\$(134,879)</u>
Net cash provided by operating activities	<u>\$(134,879)</u>

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

Exhibit E-1
Page 1 of 1

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ 316,999
Receivables:	
Other receivables	<u>196</u>
Total assets	<u>\$ 317,195</u>
 LIABILITIES:	
Accounts payable	\$ 159,375
Amounts due to student groups	157,814
Due to others	<u>6</u>
Total liabilities	<u>\$ 317,195</u>

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

INDEX

Note		Page
1.	Summary of Significant Accounting Policies	36
2.	Deposits, Investments and Derivatives.....	48
3.	Receivables, Uncollectible Accounts, Deferred Inflows and Outflows of Resources, and Unearned Revenues.....	52
4.	Interfund Receivables, Payables and Transfers.....	54
5.	Capital Assets.....	56
6.	Long-Term Debt	57
7.	Leases.....	61
8.	Pension Plan Obligations	63
9.	General Fund Federal Source Revenues.....	68
10.	Local and Intermediate Revenues.....	68
11.	Risk Management	69
12.	Self-Insured Unemployment Compensation.....	69
13.	Self-insured Workers' Compensation.....	69
14.	Litigation and Contingencies	70
15.	Interlocal Agreement	71
16.	Deficit Fund Balance	71
17.	Evaluation of Subsequent Events.....	71

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Columbia-Brazoria Independent School District (the "District") is an independent public educational agency operating under applicable laws and regulations of the State of Texas. The District is autonomously governed by a seven-member Board of Trustees elected by the District's residents.

The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources and it complies with the requirements of the appropriate version of Texas Education Agency's (the "TEA") *Financial Accountability System Resource Guide* (the "Resource Guide" or "FASRG") and the requirements of contracts and grants of agencies from which it receives funds.

The District's Financial Statements are in accordance with GASB Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" which provides additional guidance for the implementation of GASB No. 34, and GASB Statement No. 38 "Certain Financial Statement Disclosures" which changes the note disclosure requirements in the financial statements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that government-wide financial statements are needed to allow user's of financial reports to assess a government's operational accountability. The GASB Statement No. 34 reporting model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

The following is a summary of the most significant accounting policies.

Reporting Entity

The District is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the District's financial reporting entity. Based on these considerations, the District's basic financial statements do not include any other entities. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is that of a primary government are: that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Board of Trustees (the "Board") is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14. and No. 34". The District receives support from various PTO, booster clubs and foundation organizations. None of these organizations meet the criteria specified by GASB 61 to be included in the District's financial statements. Therefore, there are no component units included within the reporting entity.

Government-Wide and Fund Financial Statements

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

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

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds are reported as receivables and payables on the government-wide Statement of Net Position.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State of Texas are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The District reports the following major governmental funds:

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

The *debt service* fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the general fund after all of the related debt obligations have been met. Major revenue sources include local property taxes and interest earnings. Expenditures include all costs associated with related debt service.

The District reports the following proprietary funds:

The *internal service funds* account for the District's self-funded unemployment compensation pool and its self-funded worker's compensation program. The revenues of these funds are received from both the general and special revenue funds, and District employees and the expenses are comprised of claims paid on behalf of the District and its employees. The general fund is contingently liable for liabilities of these funds. Sub-fund accounting is employed to maintain the integrity of the various self-insurance activities of the District. See Notes 12 and 13 for additional discussion of the District's self-insurance plans.

The unemployment compensation plan is intended to be self-supporting and contributions are increased periodically to cover the cost of claims and administrative fees. As of June 30, 2017, net position of the unemployment compensation pool was \$ 86,455.

The worker's compensation program provides for incurred but not reported costs for worker's compensation claims through the establishment of undiscounted liability accounts and net position. As of June 30, 2017, liabilities totaled \$ 124,973 and net position of the worker's compensation program was \$ 561,229.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Additionally, the District reports the following fiduciary funds:

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

Cash and Investments

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

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

Fair Value - The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Interfund 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 outstanding balances between funds are reported as "due to/from other funds". The District had no advances between funds. See Note 4 for additional discussion of interfund receivables and payables.

Property Taxes

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes (Continued)

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

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

The assessed value of the property tax roll on August 1, 2016, upon which the levy for the 2016-17 fiscal year was based, was \$ 1,019,305,986. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to penalty and Interest charges plus 20% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended June 30, 2017, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 1.0400 and \$ 0.2447 per \$ 100 valuation, respectively, for a total of \$ 1.2847 per \$ 100 valuation.

Current tax collections for the year ended June 30, 2017 were 97.0% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of June 30, 2017, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 775,062 and \$ 184,013 for the general and debt service funds, respectively.

Inventories

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-40
Furniture and equipment	5-10
Vehicles	5-10

Deferred Outflows and Inflows of Resources

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

Compensated Absences

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditures or expenses in the current period. Net pension obligation is reported as long term liabilities and pension expense, based upon actuarial data, is reported as expenses within functional categories.

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

Pensions

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

Budgetary Data

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

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

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Data (Continued)

The Official Budget for the year ending June 30, 2017 was prepared for adoption for the general fund, food service (special revenue fund) and debt service fund prior to June 30, 2016. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within fund groups at the function code level and revenue object code level.

The Budget is formally adopted by the Board of Trustees at a duly advertised public meeting in accordance with law prior to the expenditure of funds. The approved budget is filed with the Texas Education Agency (TEA) through the Public Education Information Management System. Should any change in the approved budget be required, budget amendment requests are presented to the Board of Trustees for consideration. Amendments are made before the fact and once approved are reflected in the official minutes. During the year the budget was properly amended in accordance with the above procedures. The Board of Trustees approved the final budget amendment on June 20, 2017.

Encumbrance Accounting

The District utilizes encumbrance accounting, in its governmental funds. Encumbrances represent commitments related to contracts not yet performed (executor contracts), and are used to control expenditures for the period and to enhance cash management. A school district often issues purchase orders or signs contracts for the purchase of goods and services to be received in the future. At the time these commitments are made, which in its simplest form means that when a purchase order is prepared, the appropriate account is checked for available funds. If an adequate balance exists, the amount of the order is immediately charged to the account to reduce the available balance for control purposes. The encumbrance account does not represent an expenditure for the period, only a commitment to expend resources.

Prior to the end of the current period, every effort should be made to liquidate outstanding encumbrances. When encumbrances are outstanding at the current period end, the school district likely will honor the open purchase orders or contracts that support the encumbrances. For reporting purposes, as noted earlier, outstanding encumbrances are not considered expenditures for the current period. If the school district allows encumbrances to lapse, even though it plans to honor the encumbrances, the appropriations authority expires and the items represented by the encumbrances are usually re-appropriated in the following year's budget. Open encumbrances at current period-end are included in restricted, committed or assigned fund balance, as appropriate.

The District had no outstanding encumbrances as of June 30, 2017.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances

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

Beginning with fiscal 2011, the District implemented GASB Statement No. 54, "Fund Balance, Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on government's fund balance more transparent. The following classifications describe the relative strength of spending constraints:

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

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

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

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

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

As of June 30, 2017, non-spendable fund balances includes \$ 11,693 for inventories and \$ 265,753 for prepaid items in the General Fund. The food service (Special Revenue Fund) non-spendable fund balance includes \$ 18,787 for inventories. Restricted fund balances included \$ 2,314,147 for Debt Service Fund. Unassigned fund balance includes \$ 8,832,844 in the General Fund, and \$(133,893) in the National School Breakfast and Lunch Program Fund.

Data Control Codes

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

Use of Estimates

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

New Pronouncements

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

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements (Continued)

GASB No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" was issued June 2015. The statement was implemented and did not have a material effect on the District's financial statements. This statement is effective for periods beginning after June 15, 2016.

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

GASB No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" was issued June 2015. This statement was implemented and did not have a material effect on the financial statements. This statement is effective for periods beginning after June 15, 2015.

GASB No. 77 "Tax Abatement Disclosures" was issued in August 2015. The statement was implemented and did not have a material effect on the District's financial statements, as the District does not currently have any tax abatements.. This statement is effective for periods beginning after December 15, 2015.

GASB No. 78 "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans" was issued in December 2015. The statement was implemented and did not have a material effect on the District's financial statements. This statement is effective for periods beginning after December 15, 2015.

GASB No. 79 "Certain External Investment Pools and Pool Participants" was issued in December 2015. The statement was implemented and did not have a material effect on the District's financial statements. This statement is effective for periods beginning after December 15, 2015.

GASB No. 80 "Blending Requirements for Certain Component Units and amendment of GASB No. 14" was issued in January 2016. The statement was implemented and did not have a material effect on the District's financial statements. This statement is effective for periods beginning after June 15, 2016.

GASB No. 81 "Irrevocable Split-Interest Agreements" was issued in March 2016. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this Statement are effective for periods beginning after December 15, 2016.

GASB No. 82 "Pension Issues – an amendment of GASB No. 67, No. 68, and No. 73" was issued in March 2016. The statement was implemented and did not have a material effect on the District's financial statements. The requirements of this Statement are effective for periods beginning after June 15, 2016.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements (Continued)

GASB No. 83 "Certain Asset Retirement Obligations" was issued in November 2016. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this Statement are effective for periods beginning after June 15, 2018.

GASB No. 84 "Fiduciary Activities" was issued in January 2017. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this Statement are effective for periods beginning after December 15, 2018.

GASB No. 85 "Omnibus 2017" was issued in March 2017. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this Statement are effective for periods beginning after June 15, 2017.

GASB No. 86 "Certain Debt Extinguishment Issues" was issued in May 2017. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this Statement are effective for periods beginning after June 15, 2017.

GASB No. 87 "Leases" was issued in June 2017. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this Statement are effective for periods beginning after December 15, 2019.

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES

The District classifies deposits and investments for financial statement purposes as cash and cash equivalents, current investments, and non-current investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose an investment is considered a cash equivalent if when purchased it has maturity of three months or less. Investments are classified as either current investments or non-current investments. Current investments have maturity of one year or less and non-current investments are those that have a maturity of one year or more.

See Note 1 for additional Governmental Accounting Standards Board Statement No. 31 disclosures.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Cash and cash equivalents as reported on the statement of net position at June 30, 2017 are as follows:

	Governmental Funds	Proprietary (Internal Service) Funds	Fiduciary Funds	Total
Cash and Cash Equivalents:				
Cash (petty cash accounts)	\$ 100	\$	\$	\$ 100
Financial Institution Deposits:				
Demand deposits	3,981,143	773,837	316,999	5,071,979
Local Government Investment Pools:				
Texas Class	4,070,543			4,070,543
Lone Star Investment	1,139,953			1,139,953
TexStar	<u>463,702</u>			<u>463,702</u>
	<u>\$ 9,655,441</u>	<u>\$ 773,837</u>	<u>\$ 316,999</u>	<u>\$ 10,746,277</u>

Deposits

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

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

At June 30, 2017, in addition to petty cash of \$ 100, the carrying amount of the District’s cash, savings, and time deposits was \$ 5,071,979. The financial institutions balances were \$ 5,414,769 at June 30, 2017. Bank balances of \$ 250,000 were covered by federal depository insurance, and \$ 5,164,769 was covered by collateral pledged in the District’s name. The collateral was held in safekeeping departments of unrelated banks, which act as the pledging bank’s agent.

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

Depository:

- a. Name of bank: Prosperity Bank, West Columbia, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 11,448,228.
- c. Largest cash, savings and time deposit combined account balance amounted to \$ 10,030,015 and occurred on February 8, 2017.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$ 250,000.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments

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

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

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

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

1. Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009;
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010;
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011;
4. A securities lending program as permitted by Government Code 2256.0115;
5. Banker's acceptances as permitted by Government Code 2256.012;
6. Commercial paper as permitted by Government Code 2256.013;
7. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014;
8. A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015; and
9. Public funds investment pools as permitted by Government Code 2256.016.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

The District invests in Lone Star, TexStar, and Texas Class to provide its liquidity needs. Lone Star, TexStar, and Texas Class are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. Lone Star, TexStar, and Texas Class are 2(a)7 like funds, meaning that they are structured similar to a money market mutual fund.

Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. Lone Star, TexStar, and Texas Class are rated AAA and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit. At June 30, 2017 Texas Class, Lone Star and Texstar had a weighted average maturity of 47 days, 22 days, and 48 days respectively. Although Texas Class, Lone Star and TexStar portfolios had a weighted average maturity of 47 days, 22 days, and 48 days, respectively, the District considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

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

The following table includes the portfolio balances of all investment types of the District at June 30, 2017.

	<u>Book Value</u>	<u>Market Value</u>	<u>Weighted Average Maturity (In Days)</u>
Local Government Investment Pools:			
Texas Class	\$ 4,070,543	\$ 4,070,543	47
Lone Star Investment	1,139,953	1,139,953	22
TexStar	<u>463,702</u>	<u>463,702</u>	48
 Total	 <u>\$ 5,674,198</u>	 <u>\$ 5,674,198</u>	

Credit Risk - As of June 30, 2017, the LGIPs (which represent 100% of the unrestricted portfolio) are rated AAAM by Standard and Poor's or AAA by Finch.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

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

At June 30, 2017, 100% of the investment portfolio was invested in AAAM or AAA rated LGIPs (2(a)7 like pools).

Derivatives

Interest in derivative products has increased in recent years. Derivatives are investment products, which may be a security or contract, which derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The District made no direct investments in derivatives during the year ended June 30, 2017, and holds no direct investments in derivatives at June 30, 2017.

NOTE 3. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES, AND UNEARNED REVENUES

Receivables and Allowances

Receivables as of June 30, 2017, for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Major Funds</u>				
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>	<u>Fiduciary Funds (Agency)</u>
Receivables:					
Property taxes	\$ 850,200	\$ 194,803	\$	\$ 1,045,003	\$
Receivables from other governments	3,475,905	30,125	284,318	3,790,348	
Other receivables	<u>49,953</u>	<u></u>	<u></u>	<u>49,953</u>	<u>196</u>
Gross receivables	4,376,058	224,928	284,318	4,885,304	196
Less: allowance for uncollectibles	<u>75,138</u>	<u>10,790</u>	<u></u>	<u>85,928</u>	<u></u>
Net total receivables	<u>\$ 4,300,920</u>	<u>\$ 214,138</u>	<u>\$ 284,318</u>	<u>\$ 4,799,376</u>	<u>\$ 196</u>

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 3. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES, AND UNEARNED REVENUES (Continued)

Receivables/Payables from/to Other Governments

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

Amounts due from federal, state, and local governments as of June 30, 2017 are summarized below.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>State Grants and Other</u>	<u>Total</u>
Major Funds:				
General	\$ 3,335,880	\$	\$ 140,025	\$ 3,475,905
Debt service			30,125	30,125
Other governmental funds		<u>251,019</u>	<u>33,299</u>	<u>284,318</u>
 Total	 <u>\$ 3,335,880</u>	 <u>\$ 251,019</u>	 <u>\$ 203,449</u>	 <u>\$ 3,790,348</u>

Deferred Inflows and Outflows of Resources/Unearned Revenue

Governmental Funds

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

As of June 30, 2017, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	<u>Deferred Inflows of Resources (Unavailable)</u>	<u>Unearned Revenue</u>
Delinquent property taxes receivable (general fund)	\$ 639,688	\$
Delinquent property taxes receivable (debt service fund)	152,393	
Federal food commodities		51,007
Advance Funding:		
Gifts		21,140
Extracurricular activities		<u>3,000</u>
 Totals	 <u>\$ 792,081</u>	 <u>\$ 75,147</u>

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 3. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES, AND UNEARNED REVENUES (Continued)

Governmental Activities

Governmental activities defer the recognition of pension expense for contributions made from the measurement date (August 31, 2016) to the current year-end of June 30, 2017 and report these as deferred outflows of resources. Governmental activities also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a deferred inflow of resources. Further, for governmental activities, like governmental funds, defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of June 30, 2017, the various components of deferred inflows and outflows of resources and unearned revenue reported in the governmental activities were as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
TRS deferred inflows and outflows of resources	\$ 3,286,267	\$ 1,074,039	
Pension contributions subsequent to the measurement date	483,552		
Gain on termination of capital lease		2,146	
Federal food commodities			51,007
Advance funding			<u>24,140</u>
Totals	<u>\$ 3,769,819</u>	<u>\$ 1,076,185</u>	<u>\$ 75,147</u>

NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Receivables and Payables

Interfund balances at June 30, 2017 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Special Revenue Funds	\$ 161,647	\$
Fiduciary Funds	<u>6</u>	<u> </u>
Total General Fund	<u>161,653</u>	<u>-0-</u>

(continued)

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Interfund Receivables and Payables (Continued)

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Special Revenue Funds:		
General Fund:		
Title I, Part A – Improving Basic Programs	\$	\$ 52,372
IDEA B, Formula		47,890
IDEA B, Preschool		1,734
Child Nutrition		49,994
Vocational Education – Basic		3,528
Title III Part A: Teacher and Principal Training and Recruitment		5,547
Title III English Language Acquisition and Language Enhancement		450
Various State Programs		<u>132</u>
Total Special Revenue Funds	<u>-0-</u>	<u>161,647</u>
Fiduciary Funds:		
General Fund:		
Payroll Clearing Fund		<u>6</u>
Total Fiduciary Funds	<u>-0-</u>	<u>6</u>
Total	<u>\$ 161,653</u>	<u>\$ 161,653</u>

Interfund Transfers

During the year ended June 30, 2017 the District made two transfers between funds:

<u>Transferring Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>
General Fund	Food Service (Special Revenue Fund)	\$ <u>20,770</u>
		\$ <u><u>20,770</u></u>

The Board of Trustees approved this transfer, as transfers of operational funds to cover planned expenditures.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 5. CAPITAL ASSETS

Changes in Capital Assets and Accumulated Depreciation

The following provides a summary of changes in capital assets and accumulated depreciation for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Transfers & Retirements	Balance June 30, 2017
Non-Depreciated Capital Assets:				
Land and land improvements	\$ 1,488,426	\$	\$	\$ 1,488,426
Construction in progress	<u>568,685</u>	<u> </u>	<u>(568,685)</u>	<u>-0-</u>
Total non-depreciated	<u>2,057,111</u>	<u>-0-</u>	<u>(568,685)</u>	<u>1,488,426</u>
Depreciated Capital Assets:				
Buildings and improvements	68,217,992	595,155	568,685	69,381,832
Furniture, equipment & vehicles	<u>9,612,332</u>	<u>134,657</u>	<u>(364,728)</u>	<u>9,382,261</u>
Total depreciated	<u>77,830,324</u>	<u>729,812</u>	<u>203,957</u>	<u>78,764,093</u>
Total additions/retirements		<u>\$ 729,812</u>	<u>\$ (364,728)</u>	
Accumulated Depreciated:				
Buildings and improvements	\$ 27,275,424	\$ 1,615,610	\$	\$ 28,891,034
Furniture, equipment & vehicles	<u>6,111,640</u>	<u>581,776</u>	<u>(364,728)</u>	<u>6,328,688</u>
Total	<u>33,387,064</u>	<u>\$ 2,197,386</u>	<u>\$ (364,728)</u>	<u>35,219,722</u>
Net depreciated capital assets	<u>44,443,260</u>			<u>43,544,371</u>
Net capital assets	<u>\$ 46,500,371</u>			<u>\$ 45,032,797</u>

See Note 1 for additional information regarding capital assets.

Depreciation Expense

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 5. CAPITAL ASSETS (Continued)

Changes in Capital Assets and Accumulated Depreciation (Continued)

Depreciation Expense (Continued)

Data Control Codes	Function	Amount
0011	Instruction	\$ 1,403,222
0012	Instructional resources and media services	42,065
0021	Instructional leadership	23,109
0023	School leadership	148,268
0031	Guidance, counseling, and evaluation services	26,915
0033	Health services	2,493
0034	Student transportation	268,790
0035	Food service	26,845
0036	Extracurricular activities	69,803
0041	General administration	109,037
0053	Data processing services	<u>76,839</u>
	Total depreciation expense	<u>\$ 2,197,386</u>

NOTE 6. LONG-TERM DEBT

General Obligation Bonds

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

The following is a summary of the District's general obligation bonded debt at June 30, 2017:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Interest Rates %</u>	<u>Outstanding Balance</u>
2009	\$ 250,000	2020	5.25	\$ 110,000
2011 REF	7,560,000	2030	2.00 - 4.00	7,235,000
2011 CAB	1,031,571	2027	3.88	1,290,570
2012 REF	7,640,000	2031	2.00 - 3.50	6,675,000
2013	5,000,000	2038	3.00 - 4.50	4,315,000
2014 REF	9,475,000	2034	3.75 - 4.00	9,475,000
2015 REF	<u>6,715,000</u>	2025	.55 - 2.85	<u>6,480,000</u>
	<u>\$ 37,671,571</u>			<u>\$ 35,580,570</u>

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 6. LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

The following is a summary of general obligation bond transactions for the year ended June 30, 2017:

General Obligation Bond Balance - July 1, 2016	\$ 37,006,811
Accretion	63,759
Maturities	<u>(1,490,000)</u>
General Obligation Bond Balance - June 30, 2017	\$ <u>35,580,570</u>

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

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2018	\$ 1,510,000	\$ 1,151,146	\$ 2,661,146
2019	1,515,000	1,125,970	2,640,970
2020	1,470,000	1,099,806	2,569,806
2021	1,610,000	1,069,451	2,679,451
2022	1,620,000	1,034,239	2,654,239
2023-2027	9,800,000	4,873,004	14,673,004
2028-2032	11,145,000	2,763,767	13,908,767
2033-2037	6,860,000	588,358	7,448,358
2038	<u>590,000</u>	<u>12,685</u>	<u>602,685</u>
Totals	\$ <u>36,120,000</u>	\$ <u>13,718,426</u>	\$ <u>49,838,426</u>

The \$ 539,430 difference between the general obligation bonds outstanding at June 30, 2017 of \$ 35,580,570 and the general obligation bond principal requirements of \$ 36,120,000 represents the amount of capital appreciation bonds to be accreted as interest over the life of these bonds.

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

There are limitations and restrictions contained in the general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2017.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 6. LONG-TERM DEBT (Continued)

Debt Issuances and Defeased Debt

During the year ended June 30, 2008, the District issued \$ 8,854,000 in Unlimited Tax Schoolhouse and Refunding Bonds, Series 2007, \$ 8,770,000 for the partial refunding of previously issued Unlimited Tax Schoolhouse Building, Series 1999. The term bonds mature in 2025 and call for an interest rate of from 4.00% to 4.10% and the capital appreciation bonds mature in 2017 and call for an interest rate of 4.10% to 4.20%. The District placed the proceeds of the refunding, in the amount of \$ 9,031,347, in an escrow fund. The escrow fund is irrevocably pledged to the payment of principal and interest on the issued being refunded.

The difference between the cash flow required to service the old debt and that required to service the new debt and complete the refunding was a decrease of \$ 726,724. The economic gain resulting from the transaction was \$ 502,916. The outstanding balance of these defeased bonds at June 30, 2015 was \$ 8,145,000 and the balance held in escrow was \$ 8,199,156.

During the year ended June 30, 2012, the District issued \$ 8,119,998 in Unlimited Tax Schoolhouse and Refunding Bonds, Series 2011, \$ 8,120,000 for the partial refunding of previously issued Unlimited Tax Schoolhouse Building, Series 2004. The term bonds mature in 2030 and call for an interest rate of from 2.00% to 4.00% and the capital appreciation bonds mature in 2027 and call for an interest rate of 3.88%. The District placed the proceeds of the refunding, in the amount of \$ 8,879,004, in an escrow fund. The escrow fund is irrevocably pledged to the payment of principal and interest on the issued being refunded. The difference between the cash flow required to service the old debt and that required to service the new debt and complete the refunding was a decrease of \$ 691,825. The economic gain resulting from the transaction was \$ 499,094. These defeased bonds were paid in full during the year ended June 30, 2014.

During the year ended June 30, 2012, the District issued \$ 7,979,997 in Unlimited Tax Schoolhouse and Refunding Bonds, Series 2012, \$ 7,980,000 for the partial refunding of previously issued Unlimited Tax Schoolhouse Building, Series 2004. The term bonds mature in 2031 and call for an interest rate of from 2.00% to 3.50% and the capital appreciation bonds mature in 2017 and call for an interest rate of 1.30%. The District placed the proceeds of the refunding, in the amount of \$ 8,462,946, in an escrow fund. The escrow fund is irrevocably pledged to the payment of principal and interest on the issued being refunded. The difference between the cash flow required to service the old debt and that required to service the new debt and complete the refunding was a decrease of \$ 930,072. The economic gain resulting from the transaction was \$ 804,660. These defeased bonds were paid in full during the year ended June 30, 2014.

During the year ended June 30, 2014, the District issued \$ 5,000,000 in Unlimited Tax Schoolhouse Building Bonds, Series 2013, \$ 5,000,000 for the construction of facilities. These term bonds mature in 2038 and call for an interest rate of from 3.00% to 4.50%.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 6. LONG-TERM DEBT (Continued)

Debt Issuances and Defeased Debt (Continued)

During the year ended June 30, 2014, the District issued \$ 9,475,000 in Unlimited Tax Refunding Bonds, Series 2014, for the complete refunding of previously issued Unlimited Tax Schoolhouse Building, Series 2004. The term bonds mature in 2034 and call for an interest rate of from 3.75% to 4.00%. The District placed the proceeds of the refunding, in the amount of \$ 9,841,462, in an escrow fund. The escrow fund is irrevocably pledged to the payment of principal and interest on the issued being refunded. The difference between the cash flow required to service the old debt and that required to service the new debt and complete the refunding was a decrease of \$ 1,055,667. The economic gain resulting from the transaction was \$ 990,687. These defeased bonds were paid in full during the year ended June 30, 2014.

During the year ended June 30, 2016, the District issued \$ 6,715,000 in Unlimited Tax Refunding Bonds, Series 2015, for the complete refunding of previously issued Unlimited Tax Refunding Bonds, Series 2007. The term bonds mature in 2025 and call for an interest rate of from .55% to 2.85%. The District placed the proceeds of the refunding, in the amount of \$ 6,849,780, in an escrow fund. The escrow fund is irrevocably pledged to the payment of principal and interest on the issued being refunded. The difference between the cash flow required to service the old debt and that required to service the new debt and complete the refunding was a decrease of \$ 849,671. The economic gain resulting from the transaction was \$ 762,626. These defeased bonds were paid in full during the year ended June 30, 2016.

Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended June 30, 2017 was as follows:

	<u>Balance</u> <u>07-01-16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06-30-17</u>	<u>Due Within</u> <u>One Year</u>
Long-Term Debt:					
General Obligation Bonds:					
Term Bonds	\$ 34,630,000	\$	\$ 340,000	\$ 34,290,000	\$ 1,510,000
Capital appreciation bonds	<u>2,376,811</u>	<u>63,759</u>	<u>1,150,000</u>	<u>1,290,570</u>	<u>(50,560)</u>
	37,006,811	63,759	1,490,000	35,580,570	1,459,440
Capital leases	4,926		2,762	2,164	2,164
Net pension obligation	5,930,375	3,342,419	2,789,803	6,482,991	
Components of Long-Term Debt:					
Premium on general obligation bonds payable	1,263,257		91,451	1,171,806	91,451
Accrued interest payable	<u>473,533</u>	<u>472,438</u>	<u>473,533</u>	<u>472,438</u>	<u>472,438</u>
	<u>\$ 44,678,902</u>	<u>\$ 3,878,616</u>	<u>\$ 4,847,549</u>	<u>\$ 43,709,969</u>	<u>\$ 2,025,493</u>

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 6. LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities (Continued)

	<u>Balance</u> <u>07-01-16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06-30-17</u>	<u>Due Within</u> <u>One Year</u>
Accrued Interest Payable:					
General obligation					
Bonds	\$ 473,533	\$ 470,081	\$ 473,533	\$ 470,081	\$ 470,081
Certificates of indebtedness		<u>2,357</u>		<u>2,357</u>	<u>2,357</u>
	<u>\$ 473,533</u>	<u>\$ 472,438</u>	<u>\$ 473,533</u>	<u>\$ 472,438</u>	<u>\$ 472,438</u>

NOTE 7. LEASES

Capital Leases

During the year ended June 30, 2013, the District terminated a capital lease for copiers and obtained an operating lease for new copiers. At the time of the termination, the District owed \$ 40,877 on the capital lease and assumed a lease buy-out obligation in the amount of \$ 13,011. The buy-out obligation calls for a monthly payment of \$ 246 for sixty months, ending on April 18, 2018. This obligation has been calculated based upon a fair value interest of five (5%) percent. The related assets (copiers) were retired with a net value of \$ 11,749 (original cost of \$ 184,784 less accumulated depreciation of \$ 173,035). This resulted in a gain on capital lease transactions of \$ 16,118. This gain is reported for governmental activities as a deferred inflow of resources and will be accreted over the life of the operating lease and the buy-out obligation.

The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments, as of June 30, 2017:

<u>Year Ended</u> <u>June 30</u>	<u>Amount</u>
2018	\$ <u>2,210</u>
Total	2,210
Less amount representing interest	<u>45</u>
Net present value of minimum lease payments	<u>\$ 2,165</u>

During the year ended June 30, 2017, the District paid capital lease (the buy-out obligation) principal and interest in the amount of \$ 2,762 and \$ 184, respectively.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 7. LEASES (Continued)

Operating Leases

During the year ended June 30, 2013, the District entered into an operating lease for copiers, which calls for a monthly payment of \$ 4,351 and a quarterly payment of \$ 9,951 for equipment and maintenance, respectively. These operating leases are for sixty months with final payments scheduled for April 18, 2018 and January 18, 2018. The equipment operating lease replaces a previous capital lease (see capital lease note) while the maintenance operating lease replaces a previous operating lease with a payment requirement of \$ 3,200 per month.

During the year ended June 30, 2015, the District entered into an operating lease for one hundred (100) computers, which calls for three annual payments of \$ 20,515. The operating lease is for thirty-six (36) months and expires on May 24, 2018, with final payment made on May 27, 2017.

During the year ended June 30, 2016, the District entered into an operating lease for 4 servers, which calls for three annual payments of \$ 15,570. The operating lease is for 36 months and expires on June 30, 2018, with final payment scheduled for August 16, 2017.

Commitments under operating lease (non-capital) agreements for copier usage and maintenance provide for minimum future lease payments as of June 30, 2017 as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2018	\$ <u>81,265</u>
Total	\$ <u><u>81,265</u></u>

Rental and maintenance expenditures on the above-mentioned equipment for the year ended June 30, 2017 were \$ 88,295 and \$ 39,805, respectively.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 8. PENSION PLAN OBLIGATIONS

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

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

Pension Plan Fiduciary Net Position – Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided – TRS provides services and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credit service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in "*Plan Description*" above.

Contributions – Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas legislature to 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 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.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 8. PENSION PLAN OBLIGATIONS (Continued)

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, general Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates

	<u>2016</u>	<u>2017</u>
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer # 1284 – 2016 Employer Contributions	\$	545,089
Employer # 1284 – 2016 Member Contributions	\$	505,015
Employer # 1284 – 2016 NECE On-behalf Contributions	\$	891,653

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

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

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 8. PENSION PLAN OBLIGATIONS (Continued)

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 age surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the statement 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefit changes during the 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 8.00%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutory required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 8. PENSION PLAN OBLIGATIONS (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%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value:			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Hedge Funds (Stable Value)	4%	3.0%	0.1%
Cash	1%	(0.2%)	0.0%
Real Return:			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity:			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

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

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 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the Net pension liability	\$ <u>10,033,486</u>	\$ <u>6,482,991</u>	\$ <u>3,471,453</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the District reported a liability of \$ 6,482,991 for its proportionate share of TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 8. PENSION PLAN OBLIGATIONS (Continued)

District's Proportionate share of the collective net pension liability	\$ 6,482,991
State's proportionate share that is associated with the District	<u>3,259,462</u>
Total	<u>\$ 9,742,453</u>

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

At August 31, 2016 the employer's portion of the collective net pension liability was 0.0171560% which was an increase of 0.0003792% from its proportion measured as of August 31, 2015.

Changes since the prior Actual Valuation – there were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the year ended June 30, 2017, the District recognized pension expense of \$ 1,098,344 and revenue of \$ 891,653 for support provided by the State.

At June 30, 2017, the District reported its proportionate share of TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 101,652	\$ 193,578
Changes in actuarial assumptions	197,590	179,700
Difference between projected and actual investment earnings	1,249,281	700,315
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,737,744	446
Contribution paid to TRS subsequent to the measurement date	<u>483,552</u>	<u> </u>
Total	<u>\$ 3,769,819</u>	<u>\$ 1,074,039</u>

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 8. PENSION PLAN OBLIGATIONS (Continued)

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

<u>Year Ended August 31,</u>	<u>Pension Expense Amount</u>
2017	\$ 393,642
2018	393,642
2019	743,800
2020	366,736
2021	256,621
2022	57,787

During the year ended June 30, 2017, the District received \$ 71,058 in Medicare Part D, on-behalf payments.

NOTE 9. GENERAL FUND FEDERAL SOURCE REVENUES

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

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Total</u>
Direct Costs:		
School Health and Related Services (SHARS)	---	\$ 491,273
Medicaid Administrative Claiming Program (MAC)	93.778	20,695
Clean Fuels Program	20.519	<u>19,045</u>
Total direct costs		<u>\$ 531,013</u>

NOTE 10. LOCAL AND INTERMEDIATE REVENUES

For the year ended June 30, 2017, local and intermediate revenues for governmental funds consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes	\$ 11,140,372	\$ 2,619,267	\$	\$ 13,759,639
Investment income	54,519	6,074	7	60,600
Food sales			380,662	380,662
Penalties, interest and other tax related income	244,823	51,984		296,807
Co-curricular income	105,184			105,184
Gifts and bequests	56,802			56,802
Rents	12,031			12,031
Other	<u>157,580</u>			<u>157,580</u>
Total	<u>\$ 11,771,311</u>	<u>\$ 2,677,325</u>	<u>\$ 380,669</u>	<u>\$ 14,829,305</u>

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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 the year ended June 30, 2017, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

NOTE 12. SELF-INSURED UNEMPLOYMENT COMPENSATION

Effective October 1, 2011, the District replaced their unemployment compensation insurance policy with a public entity risk-sharing pool that is managed by an independent third party administrator. Claims are evaluated and administered by this third party administrator and paid by the District. Claims administration has been provided by TASB Risk Management Fund during the year ended June 30, 2017.

The risk-sharing pool meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the risk-sharing pool.

In the current year, there is no accrued liability for the unemployment compensation pool. Any liability reported in the fund at June 30, 2017 would be based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated.

NOTE 13. SELF-INSURED WORKERS' COMPENSATION

Effective September 1, 1998, the District replaced their workers' compensation insurance policy with a self-insured plan that is managed by an independent third party administrator. Claims are evaluated and administered by this third party administrator and paid by the District. Claims administration has been provided by Claim Administrative Services, Inc. during the year ended June 30, 2017.

The accrued liability for Workers' Compensation self-insurance of \$ 124,973 includes estimated incurred but not reported claims. This liability reported in the fund at June 30, 2017, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 13. SELF-INSURED WORKERS' COMPENSATION (Continued)

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

<u>Fiscal Year</u>	<u>Claims</u>
2007-08	16
2008-09	13
2009-10	33
2010-11	35
2011-12	37
2012-13	32
2013-14	38
2014-15	29
2015-16	36
2016-17	50
10 Period Average	32

Changes in the workers' compensation claims liability amounts in fiscal 2015-2016 and 2016-2017 are represented below:

	<u>Beginning of Fiscal-Year/ Period Liability</u>	<u>Current-Year/ Period Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year/ Period-End</u>
2015-2016 Workers' Compensation	\$ 144,662	\$ 74,121	\$ 74,121	\$ 144,662
2016-2017 Workers' Compensation	144,662	49,622	69,311	124,973

NOTE 14. LITIGATION AND CONTINGENCIES

The District participates in numerous state and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2017 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 15. INTERLOCAL AGREEMENT

The District participates in an interlocal agreement with Damon Independent School District (DISD) for various services. The District is providing the following services for DISD: 1) maintenance services to school buildings and grounds, 2) technology network services for maintenance of technology equipment, 3) technology technician services for routine relocation and set up of computer, phone and other peripheral device, 4) transportation mechanic for routine maintenance to vehicles, 5) administrator services for supervisory, training, or appraisal services, and 5) school district officer services for security.

The amounts charged and collected for personnel services are coded to revenue account 5729, Services to Other School Districts in the amount of \$ 38,803. The reimbursement of other expenditures is coded to various functions and accounts within the General Fund, in the amount of \$ 7,370. The total collected from Damon ISD for the year ended June 30, 2017 was \$ 46,173.

NOTE 16. DEFICIT FUND BALANCE

As of June 30, 2017, the Child Nutrition Fund had a deficit fund balance of \$ 113,132. This deficit balance will either be offset by future revenues or reimbursed by the general fund.

NOTE 17. EVALUATION OF SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 6, 2017, the date which the financial statements were available to be issued.

THIS PAGE LEFT BLANK INTENTIONALLY.

REQUIRED SUPPLEMENTARY INFORMATION

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET TO ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2017

EXHIBIT G-1
Page 1 of 1

Data Control Codes		General Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and intermediate sources	\$ 10,480,306	\$ 10,583,529	\$ 11,771,311	\$ 1,187,782
5800	State program revenues	13,669,416	13,669,416	13,453,102	(216,314)
5900	Federal program revenues	<u>1,403,453</u>	<u>450,000</u>	<u>531,013</u>	<u>81,013</u>
5020	Total revenues	<u>25,553,175</u>	<u>24,702,945</u>	<u>25,755,426</u>	<u>1,052,481</u>
EXPENDITURES:					
Current:					
0011	Instruction	14,076,676	14,701,281	14,348,300	352,981
0012	Instructional resources and media services	425,924	545,946	487,357	58,589
0013	Curriculum and staff development	153,134	244,423	162,870	81,553
0021	Instructional administration	224,279	245,774	185,031	60,743
0023	School administration	1,477,105	1,546,660	1,507,654	39,006
0031	Guidance, counseling, and evaluation services	612,485	623,761	549,827	73,934
0032	Social work services	62,580	2,580		2,580
0033	Health services	284,771	284,771	283,146	1,625
0034	Student transportation	1,272,979	1,310,006	1,247,101	62,905
0036	Extracurricular activities	857,373	1,030,545	997,487	33,058
0041	General administration	1,132,712	1,136,173	1,108,299	27,874
0051	Plant maintenance and operations	3,523,900	3,693,464	3,493,134	200,330
0052	Security and monitoring services	318,499	351,573	332,887	18,686
0053	Data processing services	802,354	823,600	749,419	74,181
0061	Community services	7,973	7,198	4,903	2,295
0071	Principal on long-term debt	27,762	27,762	27,762	-0-
0072	Interest on long-term debt	6,863	6,863	6,616	247
0073	Bond issuance costs and fees	806	806	806	-0-
0080	Facilities acquisition and construction	200,000	567,501	399,891	167,610
0095	Payments for juvenile justice alternative education programs		1,200	1,200	-0-
0099	Other intergovernmental charges	<u>85,000</u>	<u>85,500</u>	<u>85,314</u>	<u>186</u>
6030	Total expenditures	<u>25,553,175</u>	<u>27,237,387</u>	<u>25,979,004</u>	<u>1,258,383</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>(2,534,442)</u>	<u>(223,578)</u>	<u>2,310,864</u>
OTHER FINANCING SOURCES (USES):					
7912	Sale of real or personal property			4,400	4,400
8911	Transfer out	<u>-0-</u>	<u>-0-</u>	<u>(20,770)</u>	<u>(20,770)</u>
	Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>(16,370)</u>	<u>(16,370)</u>
1200	Net change in fund balances	-0-	(2,534,442)	(239,948)	2,294,494
0100	Fund balances – beginning	<u>9,350,238</u>	<u>9,350,238</u>	<u>9,350,238</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 9,350,238</u>	<u>\$ 6,815,796</u>	<u>\$ 9,110,290</u>	<u>\$ 2,294,494</u>

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND
RELATED RATIOS – COST SHARING EMPLOYER PLAN
FOR THE PRIOR TEN YEARS (1)
JUNE 30, 2017 WITH MEASUREMENT DATE OF AUGUST 31, 2016

EXHIBIT G-2
Page 1 of 1

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability (asset)	.000096039%	.0167768%	0.0171560%
District's proportionate share of the net pension liability (asset)	\$ 2,565,335	\$ 5,930,375	\$ 6,482,991
State's proportionate share of the net pension liability (asset) associated with the District	<u>1,549,244</u>	<u>3,187,421</u>	<u>3,259,462</u>
Total	<u>\$ 4,114,579</u>	<u>\$ 9,117,796</u>	<u>\$ 9,742,453</u>
District's covered-employee payroll	\$ 15,985,397	\$ 16,679,042	\$ 17,632,292
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	16.05%	35.55%	36.77%
Plan fiduciary net position as a percentage of total pension liability	83.25%	78.43%	78.00%

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED CONTRIBUTIONS – COST SHARING EMPLOYER PLAN
 FOR THE PRIOR TEN YEARS (1)
 JUNE 30, 2017 WITH MEASUREMENT DATE OF AUGUST 31, 2016

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contributions	\$ 243,845	\$ 496,769	\$ 545,089
Contributions in relation to the contractually required contribution	<u>243,845</u>	<u>496,769</u>	<u>545,089</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered-employee payroll	\$ 15,985,397	\$ 16,679,042	\$ 17,632,292
Contributions as a percentage of covered-employee payroll	1.52%	2.97%	3.09%

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

OTHER SUPPLEMENTARY INFORMATION

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

Data Control Codes		Special				
		211 ESEA Title I, Part A Improving Basic Programs	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 Child Nutrition Fund	244 Vocational Education Basic
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:						
Assets:						
1110	Cash and cash equivalents	\$	\$	\$	\$	\$
1240	Receivables from other governments	109,454	114,045	4,566	6,893	1,785
1300	Inventories				18,787	
1410	Prepaid items					1,974
1000	Total assets	<u>109,454</u>	<u>114,045</u>	<u>4,566</u>	<u>25,680</u>	<u>3,759</u>
Deferred outflows of resources:						
1700	Deferred outflows of resources					1,974
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	Total assets and deferred outflows of resources	<u>\$ 109,454</u>	<u>\$ 114,045</u>	<u>\$ 4,566</u>	<u>\$ 25,680</u>	<u>\$ 3,759</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:						
Liabilities:						
2110	Accounts payable	\$ 74	\$ 477	\$	\$ 3,922	\$ 231
2160	Accrued wages payable	57,008	65,678	2,832	81,615	
2170	Due to other funds	52,372	47,890	1,734	49,994	3,528
2300	Unearned revenue				3,281	
2000	Total liabilities	<u>109,454</u>	<u>114,045</u>	<u>4,566</u>	<u>138,812</u>	<u>3,759</u>
Deferred inflows of resources:						
2600	Deferred inflows of resources					
	Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund balance:						
Non-Spendable:						
3140	Inventories				18,787	
3430	Prepaid Items					1,974
Restricted:						
3450	Food service				(131,919)	(1,974)
3000	Total fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(113,132)</u>	<u>-0-</u>
4000	Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 109,454</u>	<u>\$ 114,045</u>	<u>\$ 4,566</u>	<u>\$ 25,680</u>	<u>\$ 3,759</u>

Revenue Funds

255	263	289	410	429	Total
Title II, Part A Teacher/ Principal	Title III Part A Language Education Program	Summer School Language Education Program	Instructional Materials Allotment (IMA)	Ready to Read License Plates	Nonmajor Governmental Funds
\$ 18,134	\$ 3,035	\$ 291	\$ 21,452 26,274	\$ 132	\$ 21,743 284,318 18,787 1,974
<u>18,134</u>	<u>3,035</u>	<u>291</u>	<u>47,726</u>	<u>132</u>	<u>326,822</u>
					-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 18,134</u>	<u>\$ 3,035</u>	<u>\$ 291</u>	<u>\$ 47,726</u>	<u>\$ 132</u>	<u>\$ 326,822</u>
\$ 2,140 10,447 5,547	\$ 131 2,454 450	\$ 291	\$ 47,726	\$ 132	\$ 6,975 220,325 161,647 51,007
<u>18,134</u>	<u>3,035</u>	<u>291</u>	<u>47,726</u>	<u>132</u>	<u>439,954</u>
					-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
					18,787 1,974
					(133,893)
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	(113,132)
<u>\$ 18,134</u>	<u>\$ 3,035</u>	<u>\$ 291</u>	<u>\$ 47,726</u>	<u>\$ 132</u>	<u>\$ 326,822</u>

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

Data Control Codes		211	224	225	240	Special 244
		ESEA Title I, Part A Improving Basic Programs	IDEA Part B Formula	IDEA Part B Preschool	Child Nutrition Fund	Vocational Education Basic
	REVENUES:					
5700	Local and intermediate sources	\$	\$	\$	\$ 380,669	\$
5800	State program revenues				37,675	
5900	Federal program revenues	<u>539,987</u>	<u>623,857</u>	<u>20,430</u>	<u>1,005,451</u>	<u>33,153</u>
5020	Total revenues	<u>539,987</u>	<u>623,857</u>	<u>20,430</u>	<u>1,423,795</u>	<u>33,153</u>
	EXPENDITURES:					
	Current:					
0011	Instruction	459,040	470,399	20,430		26,560
0013	Curriculum and staff development		3,356			
0021	Instructional leadership		30,709			
0031	Guidance, counseling and evaluation services	3,196	119,393			6,593
0032	Social work services	77,751				
0035	Food service				<u>1,591,173</u>	
6030	Total expenditures	<u>539,987</u>	<u>623,857</u>	<u>20,430</u>	<u>1,591,173</u>	<u>33,153</u>
1100	Excess (deficiency) of revenues over expenditures	-0-	-0-	-0-	(167,378)	-0-
	OTHER FINANCING SOURCES (USES):					
7915	Transfers in				<u>20,770</u>	
	Total other financing sources and (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>20,770</u>	<u>-0-</u>
1200	Net changes in fund balances	-0-	-0-	-0-	(146,608)	-0-
0100	Fund balances – beginning				<u>33,476</u>	
3000	Fund balances – ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$(113,132)</u>	<u>\$ -0-</u>

Revenue Funds

255	263	289	410	429	
Title II, Part A Teacher/ Principal	Title III Part A Language Education Program	Summer School Language Education Program	Instructional Materials Allotment (IMA)	Ready to Read License Plates	Total Nonmajor Governmental Funds
\$	\$	\$	\$	\$	\$
			151,770	36,563	380,669
<u>124,095</u>	<u>6,029</u>	<u>1,165</u>			<u>226,008</u>
					<u>2,354,167</u>
<u>124,095</u>	<u>6,029</u>	<u>1,165</u>	<u>151,770</u>	<u>36,563</u>	<u>2,960,844</u>
70,702	6,029	1,165	151,770	36,563	1,242,658
53,393					56,749
					30,709
					129,182
					77,751
					<u>1,591,173</u>
<u>124,095</u>	<u>6,029</u>	<u>1,165</u>	<u>151,770</u>	<u>36,563</u>	<u>3,128,222</u>
-0-	-0-	-0-	-0-	-0-	(167,378)
					<u>20,770</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>20,770</u>
-0-	-0-	-0-	-0-	-0-	(146,608)
					<u>33,476</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (113,132)</u>

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS - INTERNAL SERVICE FUNDS
JUNE 30, 2017

EXHIBIT H-3
Page 1 of 1

<u>Data Control Codes</u>		<u>Unemployment Compensation</u>	<u>Worker's Compensation</u>	<u>Total (See D-1)</u>
	ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
	Assets:			
1110	Cash and cash equivalents	\$ <u>87,635</u>	\$ <u>686,202</u>	\$ <u>773,837</u>
	Total assets	<u>87,635</u>	<u>686,202</u>	<u>773,837</u>
	Deferred outflows of resources:			
1700	Deferred outflows of resources	<u> </u>	<u> </u>	<u>-0-</u>
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	Total assets and deferred outflows of resources	<u>\$ 87,635</u>	<u>\$ 686,202</u>	<u>\$ 773,837</u>
	LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:			
	Current Liabilities:			
2110	Accounts payable	\$ 1,180	\$	\$ 1,180
2165	Accrued expenses payable	<u> </u>	<u>124,973</u>	<u>124,973</u>
	Total liabilities	<u>1,180</u>	<u>124,973</u>	<u>126,153</u>
	Deferred inflows of resources:			
2600	Deferred inflows of resources	<u> </u>	<u> </u>	<u>-0-</u>
	Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	Net position:			
3900	Unrestricted net position	<u>86,455</u>	<u>561,229</u>	<u>647,684</u>
	Total net position	<u>86,455</u>	<u>561,229</u>	<u>647,684</u>
	Total liabilities, deferred inflows of resources, and net position	<u>\$ 87,635</u>	<u>\$ 686,202</u>	<u>\$ 773,837</u>

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUNDS - INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2017

EXHIBIT H-4
Page 1 of 1

	<u>Unemployment Compensation</u>	<u>Worker's Compensation</u>	<u>Total (See D-2)</u>
Operating Revenues:			
Charges for services	\$ <u>39,222</u>	\$ _____	\$ <u>39,222</u>
Total operating revenues	<u>39,222</u>	<u>-0-</u>	<u>39,222</u>
Operating Expenses:			
Insurance claims and expenses	9,080	48,166	57,246
Payroll costs	<u> </u>	<u>116,855</u>	<u>116,855</u>
Total operating expenses	<u>9,080</u>	<u>165,021</u>	<u>174,101</u>
Operating income (loss)	<u>30,142</u>	<u>(165,021)</u>	<u>(134,879)</u>
Nonoperating Revenues:			
Interest and investment revenue	<u>275</u>	<u>2,271</u>	<u>2,546</u>
Total nonoperating revenues	<u>275</u>	<u>2,271</u>	<u>2,546</u>
Change in net position	30,417	(162,750)	(132,333)
Net position – beginning	<u>56,038</u>	<u>723,979</u>	<u>780,017</u>
Net position – ending	<u>\$ 86,455</u>	<u>\$ 561,229</u>	<u>\$ 647,684</u>

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2017

EXHIBIT H-5
Page 1 of 1

	<u>Unemployment Compensation</u>	<u>Worker's Compensation</u>	<u>Total (See D-3)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 39,222	\$	\$ 39,222
Claims paid	<u>(7,900)</u>	<u>(184,710)</u>	<u>(192,610)</u>
Net cash provided (used) by operating activities	<u>31,322</u>	<u>(184,710)</u>	<u>(153,388)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Net cash provided (used) by noncapital financing activities	<u> </u>	<u> </u>	<u>-0-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Net cash provided (used) by capital and related financing activities	<u> </u>	<u> </u>	<u>-0-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends	<u>275</u>	<u>2,271</u>	<u>2,546</u>
Net cash provided by investing activities	<u>275</u>	<u>2,271</u>	<u>2,546</u>
Net increase (decrease) in cash and cash equivalents	31,597	(182,439)	(150,842)
Cash and cash equivalents – beginning	<u>56,038</u>	<u>868,641</u>	<u>924,679</u>
Cash and cash equivalents – ending	<u>\$ 87,635</u>	<u>\$ 686,202</u>	<u>\$ 773,837</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	<u>\$ 30,142</u>	<u>\$(165,021)</u>	<u>\$(134,879)</u>
Net cash provided (used) by operating activities	<u>\$ 30,142</u>	<u>\$(165,021)</u>	<u>\$(134,879)</u>

THIS PAGE LEFT BLANK INTENTIONALLY.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED JUNE 30, 2017

Last Ten Years Ended August 31,	Tax Rates		3 Assessed/Appraised Value for School Tax Purposes	10 Beginning Balance July 1, 2016
	1 Maintenance	2 Debt Service		
2008 and Prior	\$ -----	\$ -----	\$ -----	\$ 280,203
2009	1.04000	0.25650	760,691,631	41,142
2010	1.04000	0.25650	703,524,720	43,264
2011	1.04000	0.25650	737,684,998	49,178
2012	1.04000	0.25650	724,747,551	58,257
2013	1.04000	0.25650	742,390,204	68,988
2014	1.04000	0.25650	827,877,748	80,578
2015	1.04000	0.25650	939,107,963	109,846
2016	1.04000	0.24470	851,273,371	346,546
2017 (School Year under Audit)	1.04000	0.24470	1,019,305,986	
1000 Totals				\$ <u>1,078,002</u>

20	31	32	40	50
Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance June 30, 2017
\$	\$ 38,575	\$ 6,402	\$(38,550)	\$ 196,676
	7,628	1,881	(566)	31,067
	9,423	2,324	(294)	31,223
	12,325	3,040	(263)	33,550
	16,063	3,962	(189)	38,043
	19,641	4,844	857	45,360
	23,118	5,702	751	52,509
	35,585	8,373	638	66,526
	175,282	41,242	(15,603)	114,419
<u>13,095,024</u>	<u>10,774,918</u>	<u>2,535,214</u>	<u>650,738</u>	<u>435,630</u>
<u>\$ 13,095,024</u>	<u>\$ 11,112,558</u>	<u>\$ 2,612,984</u>	<u>\$ 597,519</u>	<u>\$ 1,045,003</u>

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
GENERAL FUND
JUNE 30, 2017
UNAUDITED

EXHIBIT J-3
Page 1 of 1

Data Control Code	Explanation	Amount
1	Total General Fund Balance as of 06/30/17 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>9,110,290</u>
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	277,446
3	Total Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	
4	Total Committed Fund Balance (from Exhibit C-1 – total of object 351X-354X for the General Fund only)	
5	Total Assigned Fund Balance (from Exhibit C-1 – total of object 355X-359X for the General Fund only)	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds representing unearned revenues)	13,585,307
7	Estimate of two month's average cash disbursements during the fiscal year	4,641,598
8	Estimate of delayed payments from state sources (58XX) including August payment delays	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	(226,437)
10	Estimate of delayed payments from federal sources (59XX)	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	
12	Optimum fund balance and cash flow (2+3+4+5+6+7+8+9+10+11)	<u>18,277,914</u>
13	Excess (deficit) unassigned General Fund balance (1- 12)	\$(<u>9,167,624</u>)

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET TO ACTUAL - FOOD SERVICE SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2017

EXHIBIT J-4
Page 1 of 1

Data Control Codes		Food Service Special Revenue Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 483,000	\$ 483,000	\$ 380,669	\$(102,331)
5800	State program revenues	39,000	39,000	37,675	(1,325)
5900	Federal program revenues	<u>1,204,775</u>	<u>1,204,775</u>	<u>1,005,451</u>	<u>(199,324)</u>
5020	Total revenues	<u>1,726,775</u>	<u>1,726,775</u>	<u>1,423,795</u>	<u>(302,980)</u>
	EXPENDITURES:				
	Current:				
0035	Food service	<u>1,726,775</u>	<u>1,726,775</u>	<u>1,591,173</u>	<u>135,602</u>
6030	Total expenditures	<u>1,726,775</u>	<u>1,726,775</u>	<u>1,591,173</u>	<u>135,602</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>(167,378)</u>	<u>(167,378)</u>
	OTHER FINANCING SOURCES (USES):				
7915	Transfers in			<u>20,770</u>	<u>20,770</u>
	Total other financing sources and (uses)	<u>-0-</u>	<u>-0-</u>	<u>20,770</u>	<u>20,770</u>
1200	Net change in fund balances	-0-	-0-	(146,608)	(146,608)
0100	Fund balances – beginning	<u>33,476</u>	<u>33,476</u>	<u>33,476</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 33,476</u>	<u>\$ 33,476</u>	<u>\$(113,132)</u>	<u>\$(146,608)</u>

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET TO ACTUAL - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2017

Exhibit J-5
Page 1 of 1

Data Control Codes		Debt Service Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 2,627,130	\$ 2,395,511	\$ 2,677,325	\$ 281,814
5800	State program revenues			229,939	229,939
5020	Total revenues	<u>2,627,130</u>	<u>2,395,511</u>	<u>2,907,264</u>	<u>511,753</u>
	EXPENDITURES:				
	Current:				
0071	Principal on long-term debt	1,490,000	1,490,000	1,465,000	25,000
0072	Interest on long-term debt	1,137,130	1,137,130	1,158,130	(21,000)
0073	Bond issuance costs and fees			3,894	(3,894)
6030	Total expenditures	<u>2,627,130</u>	<u>2,627,130</u>	<u>2,627,024</u>	<u>106</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>(231,619)</u>	<u>280,240</u>	<u>511,859</u>
	OTHER FINANCING SOURCES (USES):				
7911	Proceeds from bonds				-0-
7916	Premium on issuance of bonds				-0-
8949	Payment to escrow agents				-0-
	Total other financing sources and (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1200	Net change in fund balances	<u>-0-</u>	<u>(231,619)</u>	<u>280,240</u>	<u>511,859</u>
0100	Fund balances – beginning	<u>2,033,907</u>	<u>2,033,907</u>	<u>2,033,907</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 2,033,907</u>	<u>\$ 1,802,288</u>	<u>\$ 2,314,147</u>	<u>\$ 511,859</u>

FEDERAL AWARDS SECTION

THIS PAGE LEFT BLANK INTENTIONALLY.

Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

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

Angleton Office:
2801 N. Velasco Suite C
Angleton, Texas 77515
979-849-8297

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

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

Independent Auditor's Report

On Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Columbia-Brazoria Independent School District
West Columbia, Texas 77486

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 Columbia-Brazoria Independent School District (the "District"), as of and for year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 6, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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.

www.kmandl.com – Email: kmkw@kmandl.com

Members: American Institute of Certified Public Accountants, Texas Society of Certified Public Accountants,
Partnering for CPA Practice Success

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.

Kennemer, Masters & Hunsford, LLC

Lake Jackson, Texas
October 6, 2017

Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS
Limited Liability Company

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

Angleton Office:
2801 N. Velasco Suite C
Angleton, Texas 77515
979-849-8297

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

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

Independent Auditor's Report

On Compliance for each Major Program and on Internal
Control over Compliance Required by the Uniform Guidance

Board of Trustees
Columbia-Brazoria Independent School District
West Columbia, Texas 77486

Report on Compliance for Each Major Federal Program

We have audited Columbia-Brazoria Independent School District's 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 June 30, 2017. 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* 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.

www.kmandl.com – Email: kmkw@kmandl.com

Members: American Institute of Certified Public Accountants, Texas Society of Certified Public Accountants,
Partnering for CPA Practice Success

Opinion on Each Major Federal Program

In our opinion, the Columbia-Brazoria Independent School 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 June 30, 2017.

Report on Internal Control over Compliance

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

Kennemer, Masters & Kingford, LLC

Lake Jackson, Texas 77566
October 6, 2017

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

I. Summary of auditor's results:

1. Type of auditor's report issued on the financial statements: Unmodified.
2. No internal control findings, required to be reported in this schedule, were disclosed in the audit of the financial statements.
3. Noncompliance, which is material to the financial statements: None.
4. No internal control findings, required to be reported in this schedule, were disclosed in the audit of the major programs.
5. Type of auditor's report on compliance for major programs: Unmodified.
6. Did the audit disclose findings, which are required to be reported in accordance with 2CFR 200.516(a):
No.
7. Major programs include:
 - ESEA, Title I, Part A Cluster Programs:
84.010 ESEA, Title I, Part A - Improving Basic Programs
8. Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000.
9. Low risk auditee: Yes.

II. Findings related to the financial statements

The audit disclosed the following finding required to be reported:

None.

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

The audit disclosed the following finding required to be reported:

None.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
YEAR ENDED JUNE 30, 2017

Page 1 of 1

None.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2017

Page 1 of 1

None.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

EXHIBIT K-1
Page 1 of 2

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures Indirect Costs or Award Amount
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA Title I Part A, Improving Basic Programs	84.010	16610101020907	\$ 120,866
ESEA Title I Part A, Improving Basic Programs	84.010	17610101020907	<u>419,121</u>
			<u>539,987</u>
IDEA Part B, Formula	84.027	166600010209076600	107,942
IDEA Part B, Formula	84.027	176600010209076600	<u>515,915</u>
			<u>623,857</u>
IDEA Part B, Preschool	84.173	166610010209076610	2,919
IDEA Part B, Preschool	84.173	176610010209076610	<u>17,511</u>
			<u>20,430</u>
Vocational Education, Basic Grant	84.048	1642000602090704	<u>33,153</u>
Title III, Part A – Language Education Program	84.365	17671001020907	<u>6,029</u>
			<u>6,029</u>
Title II, Part A - Teacher/Principal	84.367	16694501020907	34,879
Title II, Part A - Teacher/Principal	84.367	17694501020907	<u>89,216</u>
			<u>124,095</u>
Title VI, Part A Summer School LEP	84.369	69551602	<u>1,165</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ <u>1,348,716</u>
<u>U. S. Department of Agriculture</u>			
Direct Program:			
Commodity Supplement Program	10.555	020907	<u>\$ 99,223</u>
Passed Through State Department of Education:			
School Breakfast Program	10.553	71401701	280,100
National School Lunch Program	10.555	71301701	<u>626,128</u>
			<u>906,228</u>
TOTAL DEPARTMENT OF AGRICULTURE			\$ <u>1,005,451</u>

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
YEAR ENDED JUNE 30, 2017

EXHIBIT K-1
Page 2 of 2

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures Indirect Costs or Award Amount
<u>U. S. Department of Transportation</u>			
Passed Through Houston-Galveston Area Council:			
Direct:			
Clean Cities/Clean Vehicle Program	20.519	CSJ#912-00-475	\$ <u>19,045</u>
TOTAL DEPARTMENT OF TRANSPORTATION			\$ <u>19,045</u>
<u>U.S. Department of Health and Human Services</u>			
Passed Through Texas Health and Human Services:			
Medicaid Administrative Claiming (MAC)	93.778	020907	\$ <u>20,695</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ <u>20,695</u>
TOTAL FEDERAL ASSISTANCE			\$ <u>2,393,907</u>
RECONCILIATION:			
Federal program revenues (Exhibit C-2)			\$ 2,885,180
Less: School Health and Related Services (SHARS) not considered federal revenue for the Schedule of Federal Awards			<u>491,273</u>
Total federal financial assistance (Schedule of expenditures of Federal Awards)			\$ <u>2,393,907</u>

See notes to supplement Schedule of Expenditures of Federal Awards.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

NOTE 1 – BASIS OF ACCOUNTING

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

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

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

Commodity Supplement Program (CFDA 10.555) received like kind goods and no grant revenue received was reported on the schedule for the monetary value of these goods. The monetary value of goods received was \$ 94,019, while the monetary value of goods used and recognized as income and expenditures was \$ 99,223.

NOTE 2 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 3 – FEDERAL INDIRECT RATE

The District has elected to use the 10 percent de minimis indirect cost rate.

NOTE 4 – RECONCILIATION TO BASIC FINANCIAL STATEMENTS

The following is a reconciliation of expenditures of federal awards program per Exhibit K-1 and expenditures reported on Exhibit C-2:

Total shown on Schedule of Expenditures of Federal Awards (Exhibit K-1)	\$ 2,393,907
Federal Revenue Not Included in the Schedule of Federal Awards:	
School Health and Related Services (SHARS)	<u>491,273</u>
Total federal revenue (Exhibit C-2)	<u>\$ 2,885,180</u>