

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2015

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2015

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2015**

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BROWNFIELD INDEPENDENT SCHOOL DISTRICT

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CERTIFICATE OF BOARD

Brownfield Independent School District
Name of School District

Terry
County

223-901
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2015, at a meeting of the Board of Trustees of such school district on the ____ day of December, 2015.

Signature of Board Secretary

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 as necessary)

FINANCIAL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

UNMODIFIED OPINION ON THE BASIC FINANCIAL STATEMENTS

Board of School Trustees
Brownfield Independent School District
Brownfield, Texas

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 Brownfield Independent School District, as of and for the year ended August 31, 2015, and related notes to the financial statements, which collectively comprise the Brownfield Independent School 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 of 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 Brownfield Independent School District, as of August 31, 2015, and the respective changes in financial position 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 4-9, budgetary comparison information on page 38, and the pension related information on pages 39-41, 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 assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Brownfield Independent School District's basic financial statements. The accompanying combining balance sheets and statements of revenues, expenditures and changes in fund balance for all non-major governmental funds, required TEA schedules, and schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this accompanying information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2015, on our consideration of Brownfield Independent School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brownfield Independent School District's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

December 11, 2015

BROWNFIELD INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of the Brownfield Independent School District's financial performance provides an overview of the District's financial performance for the year ended August 31, 2015. It should be read in conjunction with the District's Basic Financial Statements and Independent Auditors' report. This Management's Discussion and Analysis (MD&A) is an element of the financial reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June, 1999.

FINANCIAL HIGHLIGHTS

- The net position of the District decreased by \$1,559,723 or 13.1% as a result of roof repairs, depreciation expense, and increase in payments to member districts. The District's statement of activities showed total revenues were \$21,205,834 and total expenses were \$22,765,557.
- The District ended the year, August 31, 2015, with total net position of \$7,545,560 and unrestricted net position of \$2,094,916. The balance of cash and investments at August 31, 2015, was \$4,430,893.
- Total general fund expenditures were \$17,271,579 for the year ended August 31, 2015, which is an increase of \$1,192,247 from general fund expenditures of \$16,079,332 for the year ended August 31, 2014.
- The District's total revenues on the fund financial statements increased \$1,316,526 from \$19,820,435 in 2013-14 to \$21,136,961 in 2014-15.
- The general fund ended the year with a fund balance of \$4,594,841, a decrease of \$824,261. This decrease is due to roof repairs, lease payment, and increase in payments to member districts.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so that the reader can understand the District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The fiduciary statements provide financial information about activities for which the District acts solely as a trustee.

The notes to the financial statements provide narrative explanations and additional data needed for full disclosure in the government-wide statements and the fund financial statements.

The combining statements for non-major funds contain information about the District's individual non-major funds.

The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

Government-Wide Financial Statements

The analysis of the District's overall financial condition and operations is presented in the Statement of Net Position and the Statement of Activities. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These statements apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District is reporting its governmental activities. The District currently has no business-type activities or component units as defined in the GASB Statement no. 34.

- Governmental activities – All of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education through TEA. The District's administration establishes many other funds to help it control and manage money for particular purposes. The District's two fund types – governmental and fiduciary – use different accounting approaches.

- Governmental funds – Most of the District's basic services are included in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following the fund financial statements.

- Fiduciary funds – The District is the trustee, or fiduciary, for money raised by student activities. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes, and by those to whom the assets belong. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities. The financial information for 2014 in the following tables does not include the retroactive recognition of the net pension liability and related expenses.

Changes in Net Position

The District's net position decreased during the year ended August 31, 2015. The net position decreased by \$1,559,723 (before the prior period adjustment of \$2,815,196 in accordance with GASB 68) (see Table II). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$2,094,916 (Table I) at August 31, 2015. This compares with the District's unrestricted net position at August 31, 2014, of \$5,631,059, a decrease of \$3,536,143.

Table I
Brownfield Independent School District
Net Position
August 31, 2015 and 2014

	August 31,		Increase
	2015	2014	(Decrease)
Cash and Temporary Investments	\$ 4,430,893	\$ 6,465,706	\$ (2,034,813)
Receivables	1,888,499	827,887	1,060,612
Other Assets	26,172	26,164	8
Capital Assets - Net	<u>15,129,862</u>	<u>15,300,150</u>	<u>(170,288)</u>
Total Assets	<u>\$ 21,475,426</u>	<u>\$ 22,619,907</u>	<u>\$ (1,144,481)</u>
Deferred Outflows	<u>\$ 756,695</u>	<u>\$ 319,091</u>	<u>\$ 437,604</u>
Current Liabilities	\$ 1,480,700	\$ 1,223,249	\$ 257,451
Long Term Liabilities	<u>12,445,778</u>	<u>9,795,270</u>	<u>2,650,508</u>
Total Liabilities	<u>\$ 13,926,478</u>	<u>\$ 11,018,519</u>	<u>\$ 2,907,959</u>
Deferred Inflows	<u>\$ 760,083</u>	<u>\$ _____</u>	<u>\$ 760,083</u>
Net Position			
Net Investment in Capital Assets	\$ 4,738,619	\$ 5,328,971	\$ (590,352)
Restricted for Federal and State Programs		252,432	(252,432)
Restricted for Debt Service	712,025	708,017	4,008
Unrestricted Net Position	<u>2,094,916</u>	<u>5,631,059</u>	<u>(3,536,143)</u>
Total Net Position	<u>\$ 7,545,560</u>	<u>\$ 11,920,479</u>	<u>\$ (4,374,919)</u>

Table II
Brownfield Independent School District
Changes in Net Position
For the Years Ended August 31, 2015 and 2014

	August 31,		Increase (Decrease)
	2015	2014	
Revenues:			
Program Revenues:			
Charges For Services	\$ 242,912	\$ 353,156	\$ (110,244)
Operating Grants and Contributions	5,585,480	5,015,648	569,832
General Revenues:			
Maintenance and Operations Taxes	10,548,842	10,620,141	(71,299)
Debt Service Taxes	810,844	799,675	11,169
State Formula Aid	3,918,989	2,935,540	983,449
Investment Earnings	13,694	16,080	(2,386)
Miscellaneous	85,073	59,194	25,879
Total Revenue	<u>\$ 21,205,834</u>	<u>\$ 19,799,434</u>	<u>\$ 1,406,400</u>
Expenses:			
Instruction and Instructional-Related Services	\$ 11,660,277	\$ 11,612,862	\$ 47,415
Instructional and School Leadership	1,728,900	1,781,357	(52,457)
Student Support Services	1,165,901	1,110,117	55,784
Student Transportation	776,987	697,164	79,823
Food Services	1,373,908	1,302,022	71,886
Extracurricular Activities	997,437	1,033,736	(36,299)
General Administration	1,042,386	1,037,599	4,787
Plant Maintenance, Security and Data Services	2,947,357	2,599,875	347,482
Community Services	39,166	55,090	(15,924)
Debt Service	332,095	299,224	32,871
Capital Outlay		167,325	(167,325)
Payments to Fiscal Agents/Member Districts	701,143	561,049	140,094
Total Expenses	<u>\$ 22,765,557</u>	<u>\$ 22,257,420</u>	<u>\$ 508,137</u>
Decrease in Net Position	<u>\$ (1,559,723)</u>	<u>\$ (2,457,986)</u>	<u>\$ 898,263</u>

The District's total revenues increased from \$19,799,434 in 2013-14 to \$21,205,834, an increase of \$1,406,400. This increase was due to increases in state aid and additional grant amounts received. The total expenditures of the District increased from \$22,257,420 to \$22,765,557 for a net increase of \$508,137, due to roof repairs, depreciation, and increases in payments to member districts.

Other factors impacting the District's financial position include the following:

- The District adopted a total property tax rate of \$1.26 per 100 dollars of valuation. The District's appraised valuation of taxable property decreased from \$902,958,500 to \$895,135,801, a decrease of \$7,822,699 or 0.86%. This decrease is attributable largely to a decrease in property values. The total school property taxes assessed for the school year 2015 were \$11,278,711. This is a decrease of \$81,708 from the \$11,360,419 assessed in 2014.

- The District's average daily attendance (ADA) is the basis for most of the State funding received. The ADA went from 1,617 in 2013-2014 to 1,653 in 2014-2015. This increase net of the decrease in property tax revenue resulted in an increase in base state revenues of \$983,449 from \$2,935,540 in 2013-2014 to \$3,918,989 in 2014-2015.

Fund Balances

The District's total Governmental Funds fund balance is \$5,284,247.

This fund balance is reported in the various Governmental funds as follows:

General Fund

Unassigned \$2,694,841 – This balance is available for current spending, however, it has been the practice of the District to try and maintain a fund balance that is at least four months operating expenses.

Committed for Construction \$600,000 – This represents amounts the Board of Trustees has earmarked for future construction around the district, specifically roof repairs.

Assigned \$1,300,000 – This represents amounts the Board of Trustees has earmarked for future purchases of buses and technology.

Debt Service

Restricted for Retirement of Long-Term Debt \$689,406 – These funds are restricted by debt service covenants to fund the principal and interest payments of the bond issue.

Budgetary Highlights

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments were necessary to reflect the revised estimates of revenues and expenditures. The principal amendments were to recognize the additional expenditures for student transportation and capital outlay.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, the District had \$15,129,862 of capital assets, net of accumulated depreciation. Financial statement footnote 6 discloses the capital asset activity of the District for the year ended August 31, 2015.

Debt

At the end of fiscal year 2015, the District had \$9,755,000 in bonds outstanding and \$889,295 in capital lease payments outstanding. Financial statement footnote 8 discloses the debt activity of the District for the year ended August 31, 2015.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District has budgeted \$14,863,649 in general fund revenue for the 2015-2016 fiscal year. This is a decrease of \$555,212 from the \$15,418,859 actual general fund revenue for the 2014-2015 fiscal year. The primary factors for this decrease in revenue are due to a 32% decrease in local tax values.

For the 2015-2016 fiscal year, the interest and sinking fund tax rate will remain at \$0.09. The maintenance and operations tax rate will also remain at \$1.17.

The District has also budgeted \$15,463,820 in general fund expenditures for the 2015-2016 fiscal year. This is a decrease of \$1,807,759 from the \$17,271,579 actual general fund expenditures for the 2014-2015 fiscal year. This decrease in budgeted expenditures is as a result of capital lease purchase and roof repairs in prior year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Chief Financial Officer, at Brownfield Independent School District, 601 Tahoka Road, Brownfield, Texas 79316.

BASIC FINANCIAL STATEMENTS

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

**STATEMENT OF NET POSITION
AUGUST 31, 2015**

<u>Data Control Codes</u>		Primary Government	Governmental Activities
	ASSETS AND OTHER DEBITS:		
1110	Cash and Temporary Investments	\$ 4,430,893	
1220	Property Taxes - Delinquent	401,453	
1230	Allowance for Uncollectible Taxes	(89,288)	
1240	Due from Other Governments	1,576,334	
1300	Inventories	26,172	
	Capital Assets:		
1510	Land	305,348	
1520	Buildings, Net	13,177,582	
1530	Furniture and Equipment, Net	269,377	
1540	Vehicles, Net	265,791	
1550	Leased Property Under Capital Leases, Net	1,111,764	
		<u>21,475,426</u>	
1000	Total Assets	\$ <u>21,475,426</u>	
	DEFERRED OUTFLOWS OF RESOURCES:		
1701	Unamortized Loss on Refunding of Debt	\$ 301,364	
1705	Deferred Outflow Related to Pension Liability	455,331	
		<u>756,695</u>	
	Total Deferred Outflows	\$ <u>756,695</u>	
	LIABILITIES:		
2110	Accounts Payable	\$ 97,134	
2140	Accrued Interest Payable	13,422	
2160	Accrued Wages Payable	443,949	
2180	Due to Other Governments	208,069	
2501	Due Within One Year	718,126	
2502	Due in More Than One Year	9,926,169	
2516	Unamortized Bond Premium	34,890	
2540	Net Pension Liability	2,484,719	
		<u>13,926,478</u>	
2000	Total Liabilities	\$ <u>13,926,478</u>	
	DEFERRED OUTFLOWS OF RESOURCES:		
2605	Deferred Inflow Related to Pension Liability	\$ 760,083	
		<u>760,083</u>	
	Total Deferred Inflows	\$ <u>760,083</u>	
	NET POSITION:		
3200	Net Investment in Capital Assets	\$ 4,738,619	
3850	Restricted for Debt Service	712,025	
3900	Unrestricted Net Position	2,094,916	
		<u>7,545,560</u>	
3000	Total Net Position	\$ <u>7,545,560</u>	

The accompanying notes are an integral part of this statement.

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

Exhibit B-1

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015**

Data Control Codes	1	Program Revenues		Net (Expense) Changes in Net Position	
		3	4	6	
	Expenses	Charges for Services	Operating Grants and Contributions	Total Governmental Activities	
11	Instruction	\$ 11,073,898	\$ 78,793	\$ 2,764,087	\$ (8,231,018)
12	Instructional Resources and Media Services	280,410		12,714	(267,696)
13	Curriculum and Staff Development	305,969		49,062	(256,907)
21	Instructional Leadership	516,025	74,361	346,414	(95,250)
23	School Leadership	1,212,875		66,479	(1,146,396)
31	Guidance, Counseling, and Evaluation Services	800,599		395,805	(404,794)
32	Social Work Services	146,940		107,261	(39,679)
33	Health Services	218,362		13,160	(205,202)
34	Student Transportation	776,987		186,268	(590,719)
35	Food Services	1,373,908	53,042	1,136,586	(184,280)
36	Extracurricular Activities	997,437	35,585	26,523	(935,329)
41	General Administration	1,042,386		82,643	(959,743)
51	Plant Maintenance and Operations	2,293,848	1,131	56,921	(2,235,796)
52	Security and Monitoring Services	148,705		14,256	(134,449)
53	Data Processing Services	504,804		15,439	(489,365)
61	Community Services	39,166		36,862	(2,304)
72	Interest on Long-Term Debt	317,948			(317,948)
73	Debt Service - Bond Issuance Cost and Fees	14,147			(14,147)
93	Payments to Fiscal Agents/Member Districts	500,322		275,000	(225,322)
99	Other Intergovernmental Charges	200,821			(200,821)
TP Total Primary Government	\$ 22,765,557	\$ 242,912	\$ 5,585,480	\$ (16,937,165)	

Data Control Codes

General Revenues:

MT	Property Taxes, Levied for General Purposes	\$ 10,548,842
DT	Property Taxes, Levied for Debt Service	810,844
SF	State Aid Formula Grants	3,918,989
GC	Grants and Contributions Not Restricted	35,548
IE	Investment Earnings	13,694
MI	Miscellaneous Local and Intermediate Revenue	49,525
TR	Total General Revenues, Special Items, and Transfers	\$ 15,377,442
CN	Change in Net Position	\$ (1,559,723)
NB	Net Position - Beginning	11,920,479
PA	Prior Period Adjustment Required by GASB 68	(2,815,196)
NE	Net Position - Ending	\$ 7,545,560

The accompanying notes are an integral part of this statement.

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

**BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2015**

Data Control Codes	Major Funds				
	10			98	
	General Fund	SSA IDEA, Part B Formula	Other Governmental Funds	Total Governmental Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ 3,312,941	\$ 232,855	\$ 885,097	\$ 4,430,893
1220	Property Taxes - Delinquent	376,325		25,128	401,453
1230	Allowance for Uncollectible Taxes	(86,779)		(2,509)	(89,288)
1240	Due from Other Governments	1,186,814	67,453	322,067	1,576,334
1260	Due from Other Funds	516,114		233,387	749,501
1300	Inventories	26,172			26,172
1000	Total Assets	\$ 5,331,587	\$ 300,308	\$ 1,463,170	\$ 7,095,065
LIABILITIES					
2110	Accounts Payable	\$ 69,133	\$	\$ 28,001	\$ 97,134
2160	Accrued Wages Payable	366,002		77,947	443,949
2170	Due to Other Funds	12,065	300,308	437,128	749,501
2180	Due to Other Governments			208,069	208,069
2000	Total Liabilities	\$ 447,200	\$ 300,308	\$ 751,145	\$ 1,498,653
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenues - Property Taxes	\$ 289,546	\$	\$ 22,619	\$ 312,165
2600	Total Deferred Inflows	\$ 289,546	\$ 0	\$ 22,619	\$ 312,165
FUND BALANCES					
Restricted for:					
3480	Retirement of Long-Term Debt	\$	\$	\$ 689,406	\$ 689,406
3510	Committed - Construction	600,000			600,000
3570	Assigned - Capital Expenditures	1,300,000			1,300,000
3600	Unassigned	2,694,841			2,694,841
3000	Total Fund Balances	\$ 4,594,841	\$ 0	\$ 689,406	\$ 5,284,247
4000	Total Liabilities, Deferred Inflows, and Fund Balances	\$ 5,331,587	\$ 300,308	\$ 1,463,170	\$ 7,095,065

The accompanying notes are an integral part of this statement.

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

Exhibit C-2

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT
OF NET POSITION
AUGUST 31, 2015**

Data
Control
Codes

	Total Fund Balances - Governmental Funds (Exhibit C-1)	\$ 5,284,247
1	Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$49,785,244, and the accumulated depreciation was (\$34,485,094). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in these funds. The long-term debt, unamortized premium, unamortized loss, and accrued interest was (\$9,984,979). The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt, \$5,315,171 in the governmental activities is to increase net position.	5,315,171
2	Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statement, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2014-15 capital outlays \$1,331,038 and debt principal payments of \$725,414 is to increase net position.	2,056,452
3	Lease proceeds are reported as other financing sources in the fund financial statements, but they increase long-term debt in the government-wide financial statements. The District entered into a lease for networking in the amount of (\$1,119,709).	(1,119,709)
4	Accrued interest on bonds payable \$378 and current year premium amortization \$5,380 is recognized in the government-wide financial statements. The net effect for recognizing this accrual and amortization is to increase net position.	5,758
5	The 2015 depreciation expense and loss on disposal of assets increases accumulated depreciation. The net effect of the current year's depreciation and loss is to decrease net position.	(1,501,326)
6	Included in the items related to debt is the recognition of the District's proportionate share of the net pension liabilities required by GASB 68 in the amount of (\$2,484,719), a Deferred Resource Inflow related to TRS in the amount of (\$760,083), and a Deferred Resource Outflow related to TRS in the amount of \$455,331. This amounted to a decrease in net position.	(2,789,471)
7	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred property tax revenue \$312,165 as revenue, eliminating interfund transactions and recognizing the amortization of bond refunding loss (\$17,727) is to increase net position.	<u>294,438</u>
19	Net Position of Governmental Activities (Exhibit A-1)	<u>\$ 7,545,560</u>

The accompanying notes are an integral part of this statement.

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

Exhibit C-3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Major Funds			98	
	10				
	General Fund	SSA IDEA, Part B Formula	Other Governmental Funds	Total Governmental Funds	
Revenues:					
5700	Local and Intermediate Sources	\$ 10,737,673	\$ 1,000,254	\$ 11,737,927	
5800	State Program Revenues	4,619,628	164,457	4,784,085	
5900	Federal Program Revenues	61,558	1,160,114	4,614,949	
5020	Total Revenues	\$ 15,418,859	\$ 1,160,114	\$ 4,557,988	\$ 21,136,961
Expenditures:					
0011	Instruction	\$ 7,993,969	\$ 566,460	\$ 1,765,808	\$ 10,326,237
0012	Instructional Resources and Media Services	261,359		52	261,411
0013	Curriculum and Staff Development	245,963		39,172	285,135
0021	Instructional Leadership	103,768	72,721	304,926	481,415
0023	School Leadership	1,130,667			1,130,667
0031	Guidance, Counseling, and Evaluation	384,849	245,933	116,250	747,032
0032	Social Work Services	30,000		107,261	137,261
0033	Health Services	203,332			203,332
0034	Student Transportation	537,428		186,268	723,696
0035	Food Services			1,280,878	1,280,878
0036	Extracurricular Activities	1,000,290		1,054	1,001,344
0041	General Administration	929,742		41,875	971,617
0051	Plant Maintenance and Operations	2,151,066			2,151,066
0052	Security and Monitoring Services	131,450		7,105	138,555
0053	Data Processing Services	470,252			470,252
0061	Community Services	2,594		36,722	39,316
0071	Debt Service - Principal	230,414		495,000	725,414
0072	Debt Service - Interest	7,821		310,505	318,326
0073	Bond Issuance Cost and Fees			1,800	1,800
0081	Facilities Acquisition and Construction	1,238,542			1,238,542
0093	Payments to Fiscal Agent/Member Districts	17,252	275,000	208,070	500,322
0099	Other Intergovernmental Charges	200,821			200,821
6030	Total Expenditures	\$ 17,271,579	\$ 1,160,114	\$ 4,902,746	\$ 23,334,439
1100	Deficiency of Revenues Under Expenditures	\$ (1,852,720)	\$ 0	\$ (344,758)	\$ (2,197,478)
Other Financing Sources (Uses):					
7913	Capital Leases	\$ 1,119,709			\$ 1,119,709
7915	Transfers In			91,250	91,250
8911	Transfers	(91,250)			(91,250)
7080	Total Other Financing Sources (Uses)	\$ 1,028,459	\$ 0	\$ 91,250	\$ 1,119,709
1200	Net Change in Fund Balance	\$ (824,261)	\$ 0	\$ (253,508)	\$ (1,077,769)
0100	September 1 - Fund Balance	5,419,102	0	942,914	6,362,016
3000	August 31 - Fund Balance	\$ 4,594,841	\$ 0	\$ 689,406	\$ 5,284,247

The accompanying notes are an integral part of this statement.

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

Exhibit C-4

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015**

Net Change in Fund Balances - Total Governmental Funds (Exhibit C-3) \$ (1,077,769)

Amounts reported for governmental activities in the statement of activities (Exhibit B-1) are different because:

Governmental funds report capital outlays as expenditures. However, in the 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 (\$1,501,326) exceeded capital outlays of \$1,331,038 in the current period. (170,288)

Capital leases are recorded as other financing resources in the fund financial statements, but they should be shown as an increase to the capital lease payable in the government-wide financial statements. The net effect of including the current year capital lease acquisition is to decrease net position. (1,119,709)

Property Tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 68,873

Repayment of the bond and other long-term debt principal of \$725,414 is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which the payments exceeded amortization of bond refunding loss (\$17,727) and bond premiums \$5,380. 713,067

Accrued interest on bonds payable is recognized in the government-wide financial statements. The net effect of recognizing this change in accrual is to increase net position. 378

The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of August 31, 2014 cause the change in the ending net position to increase in the amount of \$255,394. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed for fiscal year 2015 were (\$385,871) for pension expense and the amounts de-expended for the net deferred resource inflow recognized by TRS in the measurement period were \$156,202. This caused a decrease in the change in net position in the amount of (\$229,669). The impact of all of these is to increase the change in net position. 25,725

Change in Net Position of Governmental Activities (Exhibit B-1) \$ (1,559,723)

The accompanying notes are an integral part of this statement.

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

Exhibit E-1

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
AUGUST 31, 2015**

	<u>Agency Fund</u>
ASSETS:	
Cash and Temporary Investments	\$ <u>107,110</u>
Total Assets	\$ <u>107,110</u>
LIABILITIES:	
Accounts Payable	\$ 9,358
Due to Student Groups	<u>97,752</u>
Total Liabilities	\$ <u>107,110</u>
NET POSITION:	
Unrestricted Net Position	\$ <u><u>0</u></u>

The accompanying notes are an integral part of this statement.

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Brownfield Independent School District's (the District) basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of School Trustees (the Board), a seven-member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public. The Board has the exclusive power and duty to govern and oversee the management of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (the Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined in governmental accounting and financial reporting standards. There are no component units included within the reporting entity.

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

B. BASIS OF ACCOUNTING AND PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the government-wide entity as a whole. These statements report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental Activities, which normally are supported by taxes, state foundation funds, grants, and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support (i.e., internal service funds are considered governmental activities and not business-type activities). The District currently has no business-type activities.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or statement of net position. Bond issue costs are expensed when incurred.

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

The statement of activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "Charges for Services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the District, school lunch charges, etc. The "Operating Grants and Contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

The District reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the statement of activities. Depreciation expense is specifically identified by function and is included in the direct expense to each function allocated. Interest on general long-term debt is considered an indirect expense and is reported separately on the statement of activities.

All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/from on the government-wide statement of activities.

During fiscal year 2015, the District adopted GASB Statement No. 68 (GASB 68) for Accounting and Reporting for Pensions. With GASB 68, the District must assume their proportionate share of the Net Pension Liability of the Teachers Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is (\$2,815,196). The restated beginning net position is \$9,105,283.

FUND FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds and fiduciary funds. Since the resources in the fiduciary funds cannot be used for the District's operations, they are not included in the government-wide statements. Major governmental funds are reported as separate columns in the fund financial statements.

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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. Revenues from local sources consist primarily of property taxes. No amounts have been recorded for property tax revenues collected after August 31, 2015. State revenues are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due.

In the fund financial statements, governmental fund types recognize bond issue costs in the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements.

GOVERNMENTAL FUND TYPES

The District reports the following major governmental funds:

General Fund – This fund is established to account for resources used for general operations. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. This is a budgeted fund, and unassigned fund balances are considered resources available for current operations.

Special Revenue Funds – The following special revenue funds are reported as major governmental funds: SSA IDEA, Part B - Formula.

Additionally, the government reports the following governmental fund types:

Special Revenue Funds – These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance generally is accounted for in a special revenue fund. Except for the food service fund, any unused balances are returned to the grantor at the close of specified project periods. The food service fund is the only required budgeted special revenue fund. For all other funds in this fund type, project

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

accounting is employed to maintain integrity for the various sources of funds. The District's food service fund is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Lunch Program (NSLP), (2) The general fund subsidizes the food service program for all expenditures in excess of NSLP, and (3) The District does not consider the food service program completely self-supporting. Food service fund balances, if any, are used exclusively for child nutrition program purposes.

Debt Service Fund – This fund is used to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which tax has been dedicated. This is a budgeted fund and any unused sinking fund balances will be transferred to the general fund after all of the related debt obligations have been met.

FIDUCIARY FUND TYPES

Agency Funds – These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. Student activity organizations exist with the explicit approval of, and are subject to revocation by, the District's Board. If any unused resources are declared surplus by the student groups, they are transferred to the general fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

C. BASIS OF ACCOUNTING APPLICABLE TO ALL FINANCIAL STATEMENTS

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and construction in progress are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets useful lives are not capitalized.

Revenues from state and federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant. Funds received but unexpended are reflected as deferred revenues, and funds expended but not yet received are shown as receivables. If balances have not been expended by the end of the project period, grantors generally require the District to refund all or part of the unused amount.

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District.

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

Supplies and materials are debited as expenditures when purchased.

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR. Mandatory codes are utilized in the form provided in that section.

D. BUDGETARY DATA

The official budget was prepared on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America, for the general fund, the debt service fund, and the food service special revenue fund. The remaining special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least 10 days public notice of the meeting must be given.
- c. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

The budget is prepared and controlled at the function level within each fund and is amended at this level as needed. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, and they are reflected in the official minutes of the Board. During the year, several amendments were necessary.

E. ENCUMBRANCE ACCOUNTING

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at August 31, 2015.

F. FUND EQUITY

The District has adopted GASB 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Restricted – Amounts that can be spent only for specific purposes because of restrictions by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Committed – Amounts that can be used only for specific purposes determined by formal action by the Board, the highest level of decision making authority.

Assigned – Amounts that can be used for a specific purpose as expressed by the authorized administrator, the Superintendent and/or Chief Financial Officer.

Unassigned – Amounts not included in other spendable classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

The Board has adopted a minimum fund balance policy for the general fund. The policy requires the unassigned fund balance at fiscal year-end to be at least eight percent (eight percent) of the current fiscal expenditures less capital outlay and transfers out budgeted for the fund.

G. NET POSITION ON THE STATEMENT OF NET POSITION

Net position on the statement of net position includes the following:

Net Investment in Capital Assets – this component of net position represents the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding any unspent bond proceeds, which is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Debt Service – this component of net position represents the difference between assets and liabilities of the debt service fund that consists of assets with constraints placed on their use by creditors.

Unrestricted – the difference between assets and liabilities that is not reported in Net Investment in Capital Assets or Restricted Net Position.

H. 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.

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

I. MANAGEMENT'S USE OF ESTIMATES

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

2. DEPOSITS, SECURITIES, AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the District has adopted a deposit and investment policy. That policy does not address the following risks:

- a. Custodial Credit Risk – Deposits and Investments: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits and investments in certificates of deposits may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state or local governments by pledging securities in excess of the highest cash balance of the government. The District is not exposed to custodial credit risk, for its deposits are all covered by depository insurance and pledged securities held by a third party in the District's name.
- b. Concentration of Credit Risk – The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At August 31, 2015, all of the District's investments are in external investment pools, and as such the District has no risk.

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

- c. Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At August 31, 2015, the District was not significantly exposed to credit risk.
- d. Interest Rate Risk – Not applicable
- e. Foreign Currency Risk – Not applicable

During the year, the District’s temporary investments consisted of the three local government pools shown below. The carrying amount of the District’s cash and temporary investments at August 31, 2015, approximates fair value and consisted of the following:

Cash in Bank	\$	2,326,320
Logic - Liquid Asset Portfolio		571,398
Texpool		5,344
Lonestar - Liquidity Plus Fund		695,828
Lonestar - Liquidity Corporate Fund		199,271
Texas TERM - Texas Daily		739,842
		<u>4,538,003</u>
	\$	<u>4,538,003</u>
Cash and Investments - Governmental Funds	\$	4,430,893
Cash and Investments - Fiduciary Funds		<u>107,110</u>
	\$	<u>4,538,003</u>

Public Funds Investment Pools

Public funds investment pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act (the Act), Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District’s investment in Pools are reported at an amount determined by the fair value per share of the pool’s underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like Pool is one which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

3. PROPERTY TAXES

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

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. All property taxes remaining uncollected after 10 years are provided for in the allowance for uncollectible 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.

4. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments consisted of the following at August 31, 2015:

Due From Terry County	\$	42,249
Due From State - Reimbursements		<u>1,534,085</u>
Total Due From Other Governments	\$	<u><u>1,576,334</u></u>

5. INTERFUND RECEIVABLES AND PAYABLES

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

	<u>Due From</u>	<u>Due To</u>
General Fund		
Special Revenue Funds	\$ 516,114	\$ 10,510
Debt Service Fund		<u>1,555</u>
	<u>\$ 516,114</u>	<u>\$ 12,065</u>
Special Revenue Funds		
General Fund	\$ 10,510	\$ 516,114
Special Revenue Funds	<u>221,322</u>	<u>221,322</u>
	<u>\$ 231,832</u>	<u>\$ 737,436</u>
Debt Service Fund		
General Fund	<u>\$ 1,555</u>	<u>\$ 0</u>
	<u><u>\$ 749,501</u></u>	<u><u>\$ 749,501</u></u>

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

6. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2015, was as follows:

	<u>9/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>8/31/2015</u>
Capital Assets:				
Land	\$ 305,348	\$	\$	\$ 305,348
Building and Improvements	45,351,945			45,351,945
Furniture and Equipment	1,973,522	69,187	42,625	2,000,084
Vehicles	2,154,429	70,675	290,446	1,934,658
Capital Lease Assets		1,191,176		1,191,176
	<u>\$ 49,785,244</u>	<u>\$ 1,331,038</u>	<u>\$ 333,071</u>	<u>\$ 50,783,211</u>
Accumulated Depreciation:				
Building and Improvements	\$ 30,949,936	\$ 1,224,427	\$	\$ 32,174,363
Furniture and Equipment	1,664,373	108,959	42,625	1,730,707
Vehicles	1,870,785	85,528	287,446	1,668,867
Capital Lease Assets		79,412		79,412
	<u>\$ 34,485,094</u>	<u>\$ 1,498,326</u>	<u>\$ 330,071</u>	<u>\$ 35,653,349</u>
Total Net Value of Capital Assets	<u>\$ 15,300,150</u>	<u>\$ (167,288)</u>	<u>\$ 3,000</u>	<u>\$ 15,129,862</u>

Depreciation expense and loss on disposal of assets of \$1,501,326 was allocated to the functions of the primary government as follows:

Instruction	\$ 763,326
Instruction Resources and Media Services	19,324
Curriculum and Instructional Staff Development	21,077
Instructional Leadership	35,587
School Leadership	83,580
Guidance, Counseling, and Evaluation Services	55,221
Social Work Services	10,146
Health Services	15,030
Student Transportation	53,496
Food Services	94,684
Extracurricular Activities	74,020
General Administration	71,823
Plant Maintenance and Operations	159,009
Security and Monitoring Services	10,242
Data Processing Services	34,761
	<u>\$ 1,501,326</u>

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Buildings and Improvements	15-30 years
Furniture and Equipment	5-20 years
Vehicle	5-10 years
Capital Lease Assets	10 years

7. UNAVAILABLE REVENUE – PROPERTY TAXES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Deferred inflows of resources consisted of the following at August 31, 2015:

	General Fund	Debt Service Fund	Total
Property Taxes - Delinquent	\$ 376,325	\$ 25,128	\$ 401,453
Less: Allowance for Uncollectible Taxes	(86,779)	(2,509)	(89,288)
Total Deferred Inflows (Exhibit C-1)	<u>\$ 289,546</u>	<u>\$ 22,619</u>	<u>\$ 312,165</u>

8. LONG-TERM DEBT

General Obligation Bonds

A summary of changes in bonds payable for the year ended August 31, 2015, is as follows:

Description	Interest Rate	Amount Originally Issued	Amount Outstanding 9/1/2014	Issued Current Year	Retired Current Year	Amount Outstanding 8/31/2015
2010 Refunding Bonds	1.000% - 4.125%	\$ 7,200,000	\$ 6,700,000	\$	\$ 245,000	\$ 6,455,000
2012 Building Bonds	1.000% - 2.000%	4,000,000	3,550,000		250,000	3,300,000
Total Outstanding Bonds		<u>\$ 11,200,000</u>	<u>\$ 10,250,000</u>	<u>\$ 0</u>	<u>\$ 495,000</u>	<u>\$ 9,755,000</u>

On February 16, 2011, the District issued \$7,200,000 of Unlimited Tax Refunding Bonds, Series 2010, with an average interest rate of 3.920%. The bonds consist of serial bonds bearing various fixed rates ranging from 1.000% to 4.125% with annual maturities from February 2012 through February 2033. Interest expenditures on this bonded debt totaled \$248,305 for the year ended August 31, 2015. In addition, accrued interest of \$10,750 is recognized in the government-wide financials.

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

The reacquisition price exceeded the net carrying amount of the old debt by \$390,000 on the 2010 Refunding Bonds. This amount is recognized as a deferred outflow of resources, in accordance with GASB Statements No. 63 and 65. This amount is being amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. Amortization for the current year was \$17,727 and was recognized in the government-wide financials.

On February 22, 2012, the District issued \$4,000,000 of Unlimited Tax Building Bonds, Series 2012, with an average interest rate of 1.00 – 2.00% with annual maturities from February 2013 through February 2027. Interest expenditures on this bonded debt totaled \$62,200 for the year ended August 31, 2015. In addition, accrued interest of \$2,672 is recognized in the government-wide financials. The premium on this bonded debt as of August 31, 2015 is \$34,890, and is being amortized over the term of the bonds. Amortization of the premium for the current year was \$5,380.

Debt service requirements are as follows:

Fiscal Year Ending August 31,	Principal	Interest	Total
2016	\$ 505,000	\$ 301,118	\$ 806,118
2017	515,000	290,867	805,867
2018	530,000	279,068	809,068
2019	540,000	265,642	805,642
2020	555,000	251,118	806,118
2021-2025	3,040,000	1,009,937	4,049,937
2026-2030	3,080,000	572,713	3,652,713
2031-2033	990,000	41,456	1,031,456
	<u>\$ 9,755,000</u>	<u>\$ 3,011,919</u>	<u>\$ 12,766,919</u>

Capital Lease

Description	Interest Rate	Amount Outstanding 9/1/2014	Issued Current Year	Retired Current Year	Amount Outstanding 8/31/2015
Networking Equipment	2.79%	\$ 0	\$ 1,119,709	\$ 230,414	\$ 889,295

During the year, the District entered into a capital lease for Networking Equipment. During the year ended August 31, 2015, the District paid \$238,235 of payments on this lease including interest of \$7,821.

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Future minimum lease payments on this capital lease are as follows:

Fiscal Year Ending August 31,	Principal	Interest	Total
2016	\$ 213,126	\$ 25,109	\$ 238,235
2017	219,144	19,091	238,235
2018	225,331	12,904	238,235
2019	231,694	6,542	238,236
	<u>\$ 889,295</u>	<u>\$ 63,646</u>	<u>\$ 952,941</u>

9. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Property Taxes, Penalties, Interest, and Other Tax-Related Income	\$ 10,485,053	\$	\$ 805,760	\$ 11,290,813
Food Sales		78,405		78,405
Interest Income	13,226	1,219	469	14,914
Payments From Member Districts		114,401		114,401
Co-curricular Student Activities	35,585			35,585
County Available Funds	92,459			92,459
Other	111,350			111,350
	<u>\$ 10,737,673</u>	<u>\$ 194,025</u>	<u>\$ 806,229</u>	<u>\$ 11,737,927</u>

10. GENERAL FUND FEDERAL SOURCE REVENUES

Federal revenues recognized in the General Fund consist of \$61,558 in indirect cost revenue.

11. DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, 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 does not have the authority to establish or amend benefit terms.

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 159,496,075,886
Less: Plan Fiduciary Net Position	<u>(132,779,243,085)</u>
Net Pension Liability	<u>\$ 26,716,832,801</u>
Net Position as Percentage of Total Pension Liability	83.25%

Benefits Provided

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

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than six percent of the member's annual compensation and a state contribution rate of not less than six percent and not more than ten percent of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS's 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.

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

	Contribution Rates	
	2014	2015
Member	6.40%	6.70%
Non-Employer Contributing Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%
2014 Employer Contributions	\$	235,835
2014 Member Contributions		777,502
2014 NECE On-Behalf Contributions		597,065

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

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions

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

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry
	Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-Term expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%
<i>*Includes Inflation of 3%</i>	

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

Discount Rate

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

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2014 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18.00%	7.00%	1.40%
Non-U.S. Developed	13.00%	7.30%	1.10%
Emerging Markets	9.00%	8.10%	0.90%
Directional Hedge Funds	4.00%	5.40%	0.20%
Private Equity	13.00%	9.20%	1.40%
Stable Value			
U.S. Treasuries	11.00%	2.90%	0.30%
Absolute Return	0.00%	4.00%	0.00%
Stable Value Hedge Funds	4.00%	5.20%	0.20%
Cash	1.00%	2.00%	0.00%
Real Return			
Global Inflation Linked Bonds	3.00%	3.10%	0.00%
Real Assets	16.00%	7.30%	1.50%
Energy and Natural Resources	3.00%	8.80%	0.30%
Commodities	0.00%	3.40%	0.00%
Risk Parity			
Risk Parity	5.00%	8.90%	0.40%
Alpha			1.00%
Total	100.00%		8.70%

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

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	1% Decrease in <u>Discount Rate (7.0%)</u>	<u>Discount Rate (8.0%)</u>	1% Increase in <u>Discount Rate (9.0%)</u>
BISD's Proportionate Share of the Net Pension Liability	\$ <u>4,440,043</u>	\$ <u>2,484,719</u>	\$ <u>1,022,502</u>

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

At August 31, 2015, the District reported a liability of \$2,484,719 for its proportionate share of the TRS's Net Pension Liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the Net Pension Liability, the related State support, and the total portion of the Net Pension Liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$ 2,484,719
State's Proportionate Share that is Associated with the District	<u>6,304,020</u>
Total	<u>\$ 8,788,739</u>

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

At August 31, 2014 the employer's proportion of the collective Net Pension Liability was .0093021%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

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

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

There was a change in employer contribution requirements that occurred after the measurement date of the Net Pension Liability and the employer's reporting date. A 1.5% contribution for employers not paying OASDI on certain employees went into law effective September 1, 2013. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the year ended August 31, 2014, the District recognized pension expense of \$582,795 and revenue of \$582,795 for support provided by the State.

At August 31, 2014, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences Between Expected and Actual Economic Experience	\$ 38,427	\$
Changes in Actuarial Assumptions	161,510	
Difference Between Projected and Actual Investment Earnings		759,432
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions		651
Contributions Paid to TRS Subsequent to the Measurement Date	<u>255,394</u>	
Total	<u>\$ 455,331</u>	<u>\$ 760,083</u>

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

	Pension (Benefit) Expense
	<u> </u>
2016	\$ (156,239)
2017	(156,239)
2018	(156,239)
2019	(156,239)
2020	33,619
Thereafter	31,191

At August 31, 2015, the District reported Deferred Resource Outflows and Deferred Resource Inflows for the TRS pension plan as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Total Net Amounts as of August 31, 2014 Measurement Date	\$ 199,937	\$ 760,083
Contributions Made Subsequent to the Measurement Date	<u>255,394</u>	
Reported by District as of August 31, 2015	<u>\$ 455,331</u>	<u>\$ 760,083</u>

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

12. INSURANCE – WORKMEN’S COMPENSATION

During the year ended August 31, 2015, employees of the District were covered by the TASB Risk Management Workers’ Compensation Program. The contract between the District and TASB Risk Management Fund (the Fund) is renewable annually on September 1. Terms of coverage and contract costs are included in the contractual provisions.

Estimated annual contribution to the Fund is based on the estimated annual payroll for the participation period under coverage. The annual contribution is subject to adjustments based on actual payroll information presented to the Fund upon expiration of the annual participation period. During the current year, the District contributed \$97,934 to the Fund.

13. HEALTH CARE COVERAGE

During the year ended August 31, 2015, employees of the District were covered by a health insurance plan through TRS Active Care Program, administered by the Teacher Retirement System. The District contributed \$225 of the employee-only premium per month and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Under this plan, the District is not liable for costs incurred beyond the premiums paid.

Additionally, payments made on behalf of the District by the State for Medicare, Part D fringe benefits and salaries amounted to \$36,330 and \$31,341 for the years ended August 31, 2015 and 2014, respectively.

14. LITIGATION

There is no litigation pending against the District which would have a material effect on the financial statements.

15. COMMITMENTS AND CONTINGENCIES

Federal and State Funding

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, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

16. SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through December 11, 2015, the date which the financial statements were available for issue.

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

17. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS

The District was the fiscal agent for a special education shared service arrangement (SSA) and provides many of the special education services for member districts. According to guidance provided in the FAR, the District has accounted for the fiscal agent's activities of the SSA in Special Revenue Funds 437, Shared Service Arrangements – Special Education, and uses Model 3 in the SSA section of the FAR. Expenditures of the special education SSA are noted below.

The District was also the fiscal agent in shared service arrangements with various districts for IDEA, Part B Formula and for IDEA, Part B – Preschool. The District receives program funds from the granting agency and remits a portion of the grant funds to participating member districts. The District accounts for these grants in Special Revenue Funds 313 and 314, respectively, according to Model 1 in the SSA section of the FAR.

Expenditures of the shared services arrangements for the year ended August 31, 2015, are noted below:

	Special Education	IDEA B - Formula	IDEA B - Preschool
Brownfield ISD	\$ 134,516	\$ 387,198	\$ 9,364
Denver City ISD	123,561	255,698	4,681
Loop ISD	81,043	23,241	781
New Home ISD	87,180	42,286	
O'Donnell ISD	86,299	68,592	1,170
Plains ISD	94,634	98,308	2,341
Seagraves ISD	95,507	119,679	10,142
Tahoka ISD	100,770	125,041	1,170
Wellman-Union ISD	88,490	40,070	781
Total SSA Expenditures	<u>\$ 892,000</u>	<u>\$ 1,160,113</u>	<u>\$ 30,430</u>

As of June 30, 2015, the SSA was dissolved. As of the date of this audit report, remaining funds have not been allocated to the districts. A liability of \$208,069 has been recorded in Fund 437 for these amounts payable to the former members.

REQUIRED SUPPLEMENTARY INFORMATION

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

Exhibit G-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2015**

Data Control Codes	1 Budgeted Amounts		3	Variance With Final Budget Favorable (Unfavorable)
	Original	Amended	Actual	
Revenues:				
5700 Local and Intermediate Sources	\$ 10,874,848	\$ 10,874,848	\$ 10,737,673	\$ (137,175)
5800 State Program Revenues	4,781,460	4,781,460	4,619,628	(161,832)
5900 Federal Program Revenues			61,558	61,558
5020 Total Revenues	<u>\$ 15,656,308</u>	<u>\$ 15,656,308</u>	<u>\$ 15,418,859</u>	<u>\$ (237,449)</u>
Expenditures:				
0011 Instruction	\$ 8,792,837	\$ 8,724,337	\$ 7,993,969	\$ 730,368
0012 Instructional Resources and Media Services	279,415	279,415	261,359	18,056
0013 Curriculum and Instructional Staff Development	274,224	274,224	245,963	28,261
0021 Instructional Leadership	111,950	111,950	103,768	8,182
0023 School Leadership	1,176,935	1,176,935	1,130,667	46,268
0031 Guidance, Counseling, and Evaluation	384,091	384,851	384,849	2
0032 Social Work Services	31,000	31,000	30,000	1,000
0033 Health Services	254,176	254,176	203,332	50,844
0034 Student Transportation	579,000	579,000	537,428	41,572
0036 Extracurricular Activities	960,013	1,060,013	1,000,290	59,723
0041 General Administration	948,966	948,966	929,742	19,224
0051 Plant Maintenance and Operations	1,904,764	2,309,655	2,151,066	158,589
0052 Security and Monitoring Services	157,420	157,420	131,450	25,970
0053 Data Processing Services	410,408	478,908	470,252	8,656
0061 Community Services	10,000	10,000	2,594	7,406
0071 Debt Service - Principal		230,414	230,414	0
0072 Debt Service - Interest		9,586	7,821	1,765
0081 Facilities Acquisition and Construction	40,000	1,266,349	1,238,542	27,807
0093 Payments to Fiscal Agent/Member Districts	27,000	27,000	17,252	9,748
0099 Other Intergovernmental Charges	210,000	210,000	200,821	9,179
6030 Total Expenditures	<u>\$ 16,552,199</u>	<u>\$ 18,524,199</u>	<u>\$ 17,271,579</u>	<u>\$ 1,252,620</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (895,891)</u>	<u>\$ (2,867,891)</u>	<u>\$ (1,852,720)</u>	<u>\$ 1,015,171</u>
Other Financing Sources (Uses):				
7913 Capital Leases	\$	\$ 1,200,000	\$ 1,119,709	\$ (80,291)
8911 Transfers Out (Use)			(91,250)	(91,250)
7080 Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 1,200,000</u>	<u>\$ 1,028,459</u>	<u>\$ (171,541)</u>
1200 Net Change in Fund Balance	\$ (895,891)	\$ (1,667,891)	\$ (824,261)	\$ 843,630
0100 September 1 - Fund Balance	<u>5,419,102</u>	<u>5,419,102</u>	<u>5,419,102</u>	<u>0</u>
3000 August 31 - Fund Balance	<u>\$ 4,523,211</u>	<u>\$ 3,751,211</u>	<u>\$ 4,594,841</u>	<u>\$ 843,630</u>

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

Exhibit G-2

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2015**

	<u>2015</u>
District's Proportion of the Net Pension Liability	0.009302%
District's Proportionate Share of Net Pension Liability	\$ 2,484,719
State's Proportionate Share of the Net Pension Liability associated with the District	<u>6,304,020</u>
Total	<u>\$ 8,788,739</u>
District's Covered-Employee Payroll	\$ 12,148,473
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered-Employee Payroll	20.45%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

Note: Only one year of data is presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

Exhibit G-3

**SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2015**

	<u>2015</u>
Contractually Required Contribution	\$ 235,835
Contribution in Relation to the Contractually Required Contribution	<u>(235,835)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>
District's Covered-Employee Payroll	\$ 12,360,473
Contributions as a Percentage of Covered-Employee Payroll	1.91%

Note: Only one year of data is presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

CHANGES OF BENEFIT TERMS

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

CHANGES OF ASSUMPTIONS

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

OTHER SUPPLEMENTARY INFORMATION
EXHIBITS H-1 THROUGH J-3

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-1
(Continued)

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2015

	Special Revenue Funds							
	205	211	212	224	225	240	242	255
	Headstart	ESEA Title I Part A Improving Basic Program	ESEA Title I Part C Migrant Children	IDEA - Part B Formula	IDEA - Part B Preschool	National Breakfast and Lunch Program	Summer Feeding Program	ESEA Title II, Training and Recruiting
ASSETS:								
Cash and Temporary Investments	\$ 86,776	\$	\$ 44,388	\$	\$	\$ 19,552	\$	\$ 27,521
Property Taxes - Delinquent								
Allowance for Uncollectible Taxes								
Due from Other Governments	88,190	84,914	22,810	17,873	917	49,556	9,043	17,825
Due from Other Funds						13,211	4,169	
Total Assets	\$ 174,966	\$ 84,914	\$ 67,198	\$ 17,873	\$ 917	\$ 82,319	\$ 13,212	\$ 45,346
LIABILITIES:								
Accounts Payable	\$ 168	\$ 3,587	\$ 505	\$	\$	\$ 5,950	\$	\$
Accrued Wages Payable	16,643	29,758	2,974	17,873	917			8,106
Due to Other Funds	158,155	51,569	63,719			76,369	13,212	37,240
Due to Other Governments								
Total Liabilities	\$ 174,966	\$ 84,914	\$ 67,198	\$ 17,873	\$ 917	\$ 82,319	\$ 13,212	\$ 45,346
DEFERRED INFLOWS OF RESOURCES:								
Unavailable Revenue - Property Taxes	\$	\$	\$	\$	\$	\$	\$	\$
Total Deferred Inflows	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
FUND BALANCES:								
Restricted for:								
Retirement of Long-Term Debt	\$	\$	\$	\$	\$	\$	\$	\$
Total Fund Balances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 174,966	\$ 84,914	\$ 67,198	\$ 17,873	\$ 917	\$ 82,319	\$ 13,212	\$ 45,346

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-1
(Concluded)

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2015

	Special Revenue Funds						598 Debt Service Fund	Total Nonmajor Governmental August 31, 2015
	263 Title III, Pt. A English Lang. Acquisition	265 Title IV, B Community Learning	270 ESEA Title V Rural and Low Income	314 SSA Idea, Part B Preschool	437 SSA Special Education	Total Special Revenue Funds		
ASSETS:								
Cash and Temporary Investments	\$	\$ 32	\$ 17,981	\$ 996	\$	\$ 197,246	\$ 687,851	\$ 885,097
Property Taxes - Delinquent						0	25,128	25,128
Allowance for Uncollectible Taxes						0	(2,509)	(2,509)
Due from Other Governments	5,071	17,717	5,007	3,144		322,067		322,067
Due from Other Funds				6,341	208,111	231,832	1,555	233,387
Total Assets	\$ 5,071	\$ 17,749	\$ 22,988	\$ 10,481	\$ 208,111	\$ 751,145	\$ 712,025	\$ 1,463,170
LIABILITIES:								
Accounts Payable	\$	\$ 17,749	\$	\$	\$ 42	\$ 28,001	\$	\$ 28,001
Accrued Wages Payable			1,676			77,947		77,947
Due to Other Funds	5,071		21,312	10,481		437,128		437,128
Due to Other Governments					208,069	208,069		208,069
Total Liabilities	\$ 5,071	\$ 17,749	\$ 22,988	\$ 10,481	\$ 208,111	\$ 751,145	\$ 0	\$ 751,145
DEFERRED INFLOWS OF RESOURCES:								
Unavailable Revenue - Property Taxes	\$	\$	\$	\$	\$	0	\$ 22,619	\$ 22,619
Total Deferred Inflows	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,619	\$ 22,619
FUND BALANCES:								
Restricted for:								
Retirement of Long-Term Debt	\$	\$	\$	\$	\$	0	\$ 689,406	\$ 689,406
Total Fund Balances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 689,406	\$ 689,406
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 5,071	\$ 17,749	\$ 22,988	\$ 10,481	\$ 208,111	\$ 751,145	\$ 712,025	\$ 1,463,170

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BROWNFIELD INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-2
(Continued)

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015**

	Special Revenue Funds									
	205	211	212	224	225	240	242	244	255	263
	Headstart	ESEA Title I Part A Improving Basic	ESEA Title I Part C Migrant Children	IDEA - Part B Formula	IDEA - Part B Preschool	National Breakfast and Lunch Program	Summer Feeding Program	Career and Technical - Basic Grant	ESEA Title II, Training and Recruiting	Title III, Pt. A English Language Acquisition
REVENUES:										
Local and Intermediate Sources	\$	\$	\$	\$	\$	\$ 78,718	\$	\$	\$	\$
State Program Revenues						6,496				
Federal Program Revenues	407,646	660,807	169,276	17,873	917	1,078,052	26,362	26,681	138,085	11,899
Total Revenues	\$ 407,646	\$ 660,807	\$ 169,276	\$ 17,873	\$ 917	\$ 1,163,266	\$ 26,362	\$ 26,681	\$ 138,085	\$ 11,899
EXPENDITURES:										
Instruction	\$ 407,646	\$ 489,497	\$ 90,124	\$ 7,796	\$ 917	\$	\$	\$ 25,636	\$ 112,985	\$ 4,049
Instructional Resources and Media Services										
Curriculum and Instructional Staff Development		15,110						1,045		7,850
Instructional Leadership		84,809	6,560						25,100	
Guidance, Counseling, and Evaluation Services				10,077						
Social Work Services		70,706	36,555							
Student (Pupil) Transportation										
Food Services						1,254,516	26,362			
Extracurricular Activities										
General Administration										
Security and Monitoring Services										
Community Services		685	36,037							
Debt Service - Principal on Long-Term Debt										
Debt Service - Interest on Long-Term Debt										
Debt Service - Bond Issuance Costs										
Payments to Fiscal Agent/Member Districts of SSA										
Total Expenditures	\$ 407,646	\$ 660,807	\$ 169,276	\$ 17,873	\$ 917	\$ 1,254,516	\$ 26,362	\$ 26,681	\$ 138,085	\$ 11,899
Deficiency of Revenues Under Expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (91,250)	\$ 0	\$ 0	\$ 0	\$ 0
OTHER FINANCING SOURCES (USES):										
Transfers In	\$	\$	\$	\$	\$	\$ 91,250	\$	\$	\$	\$
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 91,250	\$ 0	\$ 0	\$ 0	\$ 0
Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance - September 1 (Beginning)										
Fund Balance - August 31 (Ending)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

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BROWNFIELD INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-2
(Concluded)

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015**

	Special Revenue Funds								Total Nonmajor Governmental Funds	
	265 Title IV, B Community Learning	270 ESEA Title V Rural and Low Income	289 Other Special Revenue Program	314 SSA Idea, Part B Preschool	410 State Textbook Fund	429 Other State Special Revenue Fund	437 SSA Special Education	598 Debt Service Fund		
REVENUES:										
Local and Intermediate Sources	\$	\$	\$	\$	\$	\$	\$ 115,307	\$ 194,025	\$ 806,229	\$ 1,000,254
State Program Revenues					121,268	52	36,641	164,457		164,457
Federal Program Revenues	303,275	33,247	1,107	30,430			487,620	3,393,277		3,393,277
Total Revenues	\$ 303,275	\$ 33,247	\$ 1,107	\$ 30,430	\$ 121,268	\$ 52	\$ 639,568	\$ 3,751,759	\$ 806,229	\$ 4,557,988
EXPENDITURES:										
Instruction	\$ 270,097	\$ 26,142	\$ 1,107	\$ 30,430	\$ 121,268	\$	\$ 178,114	\$ 1,765,808	\$	\$ 1,765,808
Instructional Resources and Media Services						52		52		52
Curriculum and Instructional Staff Development	8,503						6,664	39,172		39,172
Instructional Leadership							188,457	304,926		304,926
Guidance, Counseling, and Evaluation Services							106,173	116,250		116,250
Social Work Services								107,261		107,261
Student (Pupil) Transportation	24,675						161,593	186,268		186,268
Food Services								1,280,878		1,280,878
Extracurricular Activities							1,054	1,054		1,054
General Administration							41,875	41,875		41,875
Security and Monitoring Services		7,105						7,105		7,105
Community Services								36,722		36,722
Debt Service - Principal on Long-Term Debt								0	495,000	495,000
Debt Service - Interest on Long-Term Debt								0	310,505	310,505
Debt Service - Bond Issuance Costs								0	1,800	1,800
Payments to Fiscal Agent/Member Districts of SSA							208,070	208,070		208,070
Total Expenditures	\$ 303,275	\$ 33,247	\$ 1,107	\$ 30,430	\$ 121,268	\$ 52	\$ 892,000	\$ 4,095,441	\$ 807,305	\$ 4,902,746
Deficiency of Revenues Under Expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (252,432)	\$ (343,682)	\$ (1,076)	\$ (344,758)
OTHER FINANCING SOURCES (USES):										
Transfers In	\$	\$	\$	\$	\$	\$	\$	\$ 91,250	\$	\$ 91,250
Total Other Financing Sources (Uses)	0	0	0	0	0	0	0	91,250	0	91,250
Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (252,432)	\$ (252,432)	\$ (1,076)	\$ (253,508)
Fund Balance - September 1 (Beginning)							252,432	252,432	690,482	942,914
Fund Balance - August 31 (Ending)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 689,406	\$ 689,406

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

Exhibit J-1

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2015

Last Ten Years Ended August 31,	1		2	3	10	20	31	32	40	50
	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 9/1/2014	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 8/31/2015	
	Maintenance	Debt Service								
2006 and Prior Years	Various	Various	Various	\$ 104,774	\$	\$ 3,225	\$ 138	\$ (12,123)	\$ 89,288	
2007	1.500000	0.100000	565,615,102	13,722		799	58	(432)	12,433	
2008	1.370000	0.100000	602,336,754	11,827		817	79	(192)	10,739	
2009	1.040000	0.100000	678,117,484	12,945		1,326	113	(117)	11,389	
2010	1.170000	0.100000	660,392,125	12,369		1,266	108	(301)	10,694	
2011	1.170000	0.100000	798,116,119	14,959		2,435	208	(330)	11,986	
2012	1.170000	0.100000	857,770,861	24,896		5,509	471	(146)	18,770	
2013	1.156900	0.082620	962,416,554	45,275		14,475	1,034	(160)	29,606	
2014	1.170000	0.088133	902,958,500	93,791		49,170	3,704	(169)	40,748	
2015 (School year under audit)	1.170000	0.090000	895,135,801		11,278,711	10,332,889	794,838	14,816	165,800	
1000	TOTALS			\$ 334,558	\$ 11,278,711	\$ 10,411,911	\$ 800,751	\$ 846	\$ 401,453	

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

Exhibit J-2

**BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION FUND
FOR THE YEAR ENDED AUGUST 31, 2015**

Data Control Codes	1 Budgeted Amounts		3	Variance With Final Budget Favorable (Unfavorable)	
	Original	Amended	Actual		
Revenues:					
5700	Local and Intermediate Sources	\$ 100,000	\$ 204,500	\$ 78,718	\$ (125,782)
5800	State Program Revenues	10,000	6,500	6,496	(4)
5900	Federal Program Revenues	<u>1,190,000</u>	<u>1,079,000</u>	<u>1,078,052</u>	<u>(948)</u>
5020	Total Revenues	<u>\$ 1,300,000</u>	<u>\$ 1,290,000</u>	<u>\$ 1,163,266</u>	<u>\$ (126,734)</u>
Expenditures:					
0035	Food Services	<u>\$ 1,300,000</u>	<u>\$ 1,290,000</u>	<u>\$ 1,254,516</u>	<u>\$ 35,484</u>
6030	Total Expenditures	<u>\$ 1,300,000</u>	<u>\$ 1,290,000</u>	<u>\$ 1,254,516</u>	<u>\$ 35,484</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (91,250)</u>	<u>\$ (91,250)</u>
Other Financing Sources:					
7915	Transfers In	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 91,250</u>	<u>\$ 91,250</u>
1200	Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
0100	September 1 - Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
3000	August 31 - Fund Balance	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

Exhibit J-3

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	1 Budgeted Amounts		3	Variance With Final Budget Favorable (Unfavorable)	
	Original	Amended	Actual		
Revenues:					
5700	Local and Intermediate Sources	\$ 806,000	\$ 808,000	\$ 806,229	\$ (1,771)
	Total Revenues	\$ 806,000	\$ 808,000	\$ 806,229	\$ (1,771)
Expenditures:					
0071	Debt Service - Principal on Long-Term Debt	\$ 495,000	\$ 495,000	\$ 495,000	\$ 0
0072	Debt Service - Interest on Long-Term Debt	311,000	310,505	310,505	0
0073	Debt Service - Bond Issuance Cost and Fees			1,800	(1,800)
6030	Total Expenditures	\$ 806,000	\$ 805,505	\$ 807,305	\$ (1,800)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 0	\$ 2,495	\$ (1,076)	\$ (3,571)
1200	Net Change in Fund Balance	\$ 0	\$ 2,495	\$ (1,076)	\$ (3,571)
0100	September 1 - Fund Balance	690,482	690,482	690,482	0
3000	August 31 - Fund Balance	\$ 690,482	\$ 692,977	\$ 689,406	\$ (3,571)

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

**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 School Trustees
Brownfield Independent School District
Brownfield, Texas

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 Brownfield Independent School District (the District) as of and for the year ended August 31, 2015, and related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 11, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Brownfield Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 over financial reporting that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Bolinger, Segars, Gilbert & Moss L.L.P.

Certified Public Accountants

Lubbock, Texas

December 11, 2015

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of School Trustees
Brownfield Independent School District
Brownfield, Texas

Report on Compliance for Each Major Federal Program

We have audited Brownfield Independent School District's (the District) compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Brownfield Independent School 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 on Brownfield Independent School District's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2015.

Report on Internal Control Over Compliance

Management of Brownfield Independent School 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, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. 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.

Purpose of this Report

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

December 11, 2015

FEDERAL FINANCIAL ASSISTANCE SECTION

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2015**

A. Section I - Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance for major programs. Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	National School Lunch Program
10.553	School Breakfast Program
10.559	Summer Feeding Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes _____ no

B. Section II - Findings Related to the Financial Statements

None Noted

C. Section III - Findings and Questioned Costs Related to the Federal Awards

None Noted

BROWNFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2015

Prior Year's Finding/Noncompliance

N/A

Status of Prior Year's Finding/Noncompliance

N/A

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

Exhibit K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures and Indirect Cost
U.S. DEPARTMENT OF EDUCATION			
<u>Passed through Texas Education Agency</u>			
ESEA Title I, Part A (211)	84.010A	15610101223901	\$ 604,910
ESEA Title I, Part A (211)	84.010A	16610101223901	29,758
ESEA Title I, Priority and Focus School Grant (211)	84.010A	15610112223901005	18,828
ESEA Title I, Priority and Focus School Grant (211)	84.010A	15610112223901102	24,500
			<u>\$ 677,996</u>
ESEA Title I, Part C (212)	84.011A	15615001223901	\$ 171,037
ESEA Title I, Part C (212)	84.011A	16615001223901	2,974
			<u>\$ 174,011</u>
Career and Technology Basic Grant (244)	84.048A	15420006223901	\$ 26,681
Title VI, Part B, Subpart 2 - Rural and Low-Income (270)	84.358B	15696001223901	\$ 32,498
Title VI, Part B, Subpart 2 - Rural and Low-Income (270)	84.358B	16696001223901	1,676
			<u>\$ 34,174</u>
ESEA Title II, Part A - Teacher & Principal Training (255)	84.367A	15694501223901	\$ 133,822
ESEA Title II, Part A - Teacher & Principal Training (255)	84.367A	16694501223901	8,106
			<u>\$ 141,928</u>
IDEA - B, Formula (224)	84.027A	# 166600012239016600	\$ 17,873
IDEA - B, Formula (313)	84.027	# 156600012239016600	1,193,769
IDEA - B, Preschool (225)	84.173A	# 166610012239016610	917
IDEA - B, Preschool (314)	84.173	# 156610012239016610	31,306
			<u>\$ 1,243,865</u>
Summer School LEP	84.369A	69551402	\$ 1,107
<u>Passed through Region 17 Education Service Center</u>			
Title III, Part A - English Language Acquisition (263)	84.365A	15671001223901	\$ 12,232
<u>Passed through Lubbock-Cooper Independent School District</u>			
Title IV, Part B - 21st Century Community Learning Centers (265)	84.287C	156950167110027	\$ 285,558
Title IV, Part B - 21st Century Community Learning Centers (265)	84.287C	166950167110027	17,717
			<u>\$ 303,275</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 2,615,269</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN RESOURCES			
<u>Passed through SHAPES Head Start Program</u>			
Head Start (205)	93.600	#06CH5487	\$ 407,646
TOTAL DEPARTMENT OF HEALTH AND HUMAN RESOURCES			<u>\$ 407,646</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed through Texas Education Agency</u>			
National School Lunch Program (240)	10.555	# n/a	\$ 758,222
School Breakfast Program (240)	10.553	# n/a	319,830
Summer Feeding Program (242)	10.559	# n/a	26,362
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 1,104,414</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,127,329</u>
Medicaid Revenue Reported in Shared Services Fund 437			\$ 487,620
TOTAL EXPENDITURES OF FEDERAL AWARDS REPORTED ON EXHIBIT C-3			<u>\$ 4,614,949</u>
# Cluster Program			

See Notes to Supplementary Schedule of Expenditures of Federal Awards.

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Brownfield Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

BROWNFIELD INDEPENDENT SCHOOL DISTRICT

Exhibit L-1

**SCHOOLS FIRST QUESTIONNAIRE
FOR THE YEAR ENDED AUGUST 31, 2015**

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreements at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of financial hardship?	Yes
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	\$ 0
SF11	Net Pension Assets (1920) at fiscal year end	\$ 0
SF12	Net Pension Liabilities (2540) at fiscal year end	\$ 2,484,719
SF13	Pension Expense (6147) at fiscal year end	\$ 229,669