



**ANNUAL FINANCIAL
&
COMPLIANCE REPORT**

JUNE 30, 2016

Mont Belvieu, Texas

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CERTIFICATE OF THE BOARD

Barbers Hill Independent School District

CHAMBERS

036-902

Name of School District

County

Co.-Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and X approved disapproved for the year ended June 30, 2016 at a meeting of the Board of Trustees of such school district on the 26th day of September, 2016.



Signature of Board Secretary



Signature of Board President

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

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Board of Trustees of
Barbers Hill Independent School District
P.O. Box 1108
Mont Belvieu, Texas 77580

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Barbers Hill Independent School District (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

The Board of Trustees of
Barbers Hill Independent School District
September 16, 2016

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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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Barbers Hill Independent School District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Barbers Hill Independent School District's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Board of Trustees of
Barbers Hill Independent School District
September 16, 2016

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The Supplementary Information and the Schedule of Expenditures of Federal Awards are 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated September 16, 2016 on our consideration of Barbers Hill Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Barbers Hill Independent School District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

Weaver and Tidwell, L.L.P.

Conroe, Texas
September 16, 2016

Management's Discussion and Analysis

As management of the Barbers Hill Independent School District ("the District"), we offer readers of the accompanying report this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. In reviewing this report, readers should be mindful that it is often necessary for management to make and use estimates in the preparation of financial statements. Examples of the use of such estimates may be found in amounts reported for depreciation, net taxes receivable, claims payable of the District's self-insured workers' compensation program, and net pension liability.

Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at year-end by \$23,711,646 (net position). Of this amount, \$11,910,262 (unrestricted net position) is available to meet the District's ongoing obligations in subsequent years.
- The District's total net position increased by \$5,300,528.
- At the end of the year, unassigned fund balance in the general fund was \$17,042,892 while total fund balance in the general fund was \$33,250,509, an increase of \$1,501,655.

Overview of the Financial Statements

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

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

The *Statement of Net Position* (Exhibit A-1) presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as an indicator of how the financial position of the District is changing.

The *Statement of Activities* (Exhibit B-1) presents information showing how the District's net position changed during the year. Changes in net position are reported upon occurrence of the underlying event giving rise to the change, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some transactions that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and incurred but unpaid workers' compensation benefits).

The government-wide financial operations (*governmental activities*) of the District are principally supported by taxes and intergovernmental revenues. The governmental activities of the District include *Instruction, Instructional Resources and Media Services, Curriculum and Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Service, Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Issuance Costs and Fees, Facilities Repair and Maintenance, Contracted Instructional Services between Schools, Payments to Juvenile Justice Alternative Education Programs and Other Intergovernmental Charges.*

The government-wide financial statements can be found as noted in the table of contents of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, as do other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of cash resources*, as well as on *balances of cash resources* available at the end of the fiscal year. Such information may be useful in evaluating near-term financing requirements.

Because the focus of governmental funds financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintained fourteen individual governmental funds during the year. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, which are considered to be major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation titled *total nonmajor funds*.

The District adopts an annual revenue and appropriations budget for its general fund. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements are noted in the table of contents of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of students and student organizations. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs and activities. A statement of fiduciary assets and liabilities is the only financial statement presented for fiduciary funds, as noted in the table of contents of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements are noted in the table of contents of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report presents required supplementary information and supplementary information, including schedules required by the Texas Education Agency. Such information is noted in the table of contents of this report.

Government-wide Financial Analysis

As mentioned earlier, net position may, over time, serve as an indicator of a District's changing financial position. At the close of the District's most recent fiscal year, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$23,711,646.

BARBERS HILL INDEPENDENT SCHOOL DISTRICT'S NET POSITION

	Governmental Activities					
	2016		2015		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and Other Assets	\$ 80,270,196	32	\$ 90,672,896	35	\$ (10,402,700)	(11)
Capital Assets, net of Accumulated Depreciation	173,894,779	68	167,241,217	65	6,653,562	4
Total Assets	254,164,975	100	257,914,113	100	(3,749,138)	
Total Deferred Outflows of Resources	8,991,845	100	4,059,105	100	4,932,740	122
Other Liabilities	14,354,217	6	13,766,104	6	588,113	4
Long-Term Liabilities Outstanding	224,094,473	94	227,428,194	94	(3,333,721)	(1)
Total Liabilities	238,448,690	100	241,194,298	100	(2,745,608)	
Total Deferred Inflows of Resources	996,484	100	2,367,802	-	(1,371,318)	(58)
Net Position:						
Net Investment in Capital Assets	4,593,379	19	3,430,217	19	1,163,162	34
Restricted	7,208,005	30	5,587,407	30	1,620,598	29
Unrestricted	11,910,262	51	9,393,494	51	2,516,768	27
Total Net Position	\$ 23,711,646	100	\$ 18,411,118	100	\$ 5,300,528	

The excess of assets/deferred outflows of resources over liabilities/deferred inflows of resources reported on the government-wide Statement of Net Position of \$23,711,646 at June 30, 2016 results from several factors.

Such increase in net position was primarily due to the following:

- An increase in deferred outflows for pension as a result of
 - Changes in proportion and differences between District contributions and proportionate share of contributions
 - Net differences between projected and actual investment earnings for the District's cost-sharing multiple-employer defined benefit pension plan.
- A decrease in deferred outflows for pension as a result of
 - Differences between expected and actual experience
 - Changes of assumptions
- An increase in property tax revenue

The largest portion of the District's net position is unrestricted. Investment in capital assets (e.g., land and improvements, buildings and improvements, furniture and equipment and construction in progress), less any related debt used to acquire those assets is \$4,593,379, an increase of \$1.1 million from June 30, 2015. The District utilizes capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net position that is restricted for debt service and grants totals \$7,208,005 or 30 percent of net position. The remaining balance of net position, *unrestricted net position* \$11,910,262, may be used to meet future obligations to students and creditors.

Governmental activities. Governmental activities increased the District's net position by \$5,300,528 from current operations. The elements giving rise to this change may be determined from the table below.

BARBERS HILL INDEPENDENT SCHOOL DISTRICT'S CHANGES IN NET POSITION

	Governmental Activities					
	2016		2015		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program Revenues:						
Charges for Services	\$ 2,627,171	3	\$ 2,375,583	3	\$ 251,588	11
Operating Grants and Contributions	6,059,457	6	3,754,122	5	2,305,335	61
General Revenues:						
Property Taxes, Levied for General Purpose	60,192,836	65	55,650,226	67	4,542,610	8
Property Taxes, Levied for Debt Service	17,562,911	19	15,721,466	19	1,841,445	12
Grants and Contributions Not Restricted to Specific Programs	2,033,094	2	2,826,096	3	(793,002)	(28)
Investment Earnings	1,284,757	1	791,239	1	493,518	62
County Available	1,242,195	1	122,666	-	1,119,529	913
County Equalization	1,866,730	2	1,835,507	2	31,223	2
Miscellaneous	1,292,365	1	208,092	-	1,084,273	521
Total Revenues	94,161,516	100	83,284,997	100	10,876,519	
Expenses:						
Instruction	38,831,349	44	31,025,696	42	7,805,653	25
Instructional Resources and Media Services	689,426	1	713,004	1	(23,578)	(3)
Curriculum and Staff Development	719,710	1	656,596	1	63,114	10
Instructional Leadership	260,307	-	244,096	-	16,211	7
School Leadership	3,325,634	4	2,975,216	4	350,418	12
Guidance, Counseling, and Evaluation Services	1,712,995	2	1,493,467	2	219,528	15
Social Work Services	75,985	-	-	-	75,985	-
Health Services	799,694	1	787,084	1	12,610	2
Student Transportation	2,092,600	2	1,698,923	2	393,677	23
Food Service	2,642,093	3	2,678,835	4	(36,742)	(1)
Extracurricular Activities	2,831,477	3	2,335,646	3	495,831	21
General Administration	2,296,600	3	2,539,621	3	(243,021)	(10)
Plant Maintenance and Operations	7,525,017	8	7,671,584	10	(146,567)	(2)
Security and Monitoring Services	566,390	1	527,769	1	38,621	7
Data Processing Services	1,165,190	1	1,113,233	1	51,957	5
Community Services	46,705	-	38,329	-	8,376	22
Interest on Long-term Debt	7,147,249	8	7,210,083	9	(62,834)	(1)
Issuance Costs and Fees	170,293	-	343,918	-	(173,625)	(50)
Facilities Repair and Maintenance	892,184	1	621,249	1	270,935	44
Contracted Instructional Services between Schools	14,503,753	16	10,720,925	14	3,782,828	35
Payments to Juvenile Justice Alternative Education Programs	73,030	-	70,623	-	2,407	3
Other Intergovernmental Charges	493,307	1	453,600	1	39,707	9
Total Expenses	88,860,988	100	75,919,497	100	12,941,491	
Change in Net Position	5,300,528		7,365,500		(2,064,972)	
Net Position - Beginning	18,411,118		18,264,745		146,373	
Prior Period Adjustment - Implement GASB 68 and 71 for Pensions (a)	-		(8,887,454)		8,887,454	
Prior Period Adjustment - Tax Refund Payable	-		1,668,327		(1,668,327)	
Net Position - Beginning, as restated	18,411,118		11,045,618		7,365,500	
Net Position - Ending	\$ 23,711,646		\$ 18,411,118		\$ 5,300,528	

(a) The restatement of the beginning net position in 2015 is the result of the District implementing GASB Statement No. 68 and 71 in the fiscal year.

The current period increase in net position primarily results from the increases in grants, property tax, and County Available and Equalization funds revenues exceeding the increase in expenses for instruction, which includes pension costs.

Revenues, aggregating \$94,161,516, were generated primarily from two sources. Property taxes totaling \$77,755,747 represent 84 percent of total revenues, while grants and contributions (including those not restricted for program-specific use as well as for general operations, totaling \$8,092,551), represent 8 percent of total revenues. The remaining 8 percent is generated from investment earnings, charges for services, county available, county equalization and miscellaneous revenues.

The primary functional expenses of the District are instruction \$38,831,349, which represents 44 percent of total expenses, plant maintenance and operations \$7,525,017 which represents 8 percent of total expenses, contracted instructional services between public schools \$14,503,753 which represents 16 percent of total expenses, and interest on long-term debt \$7,147,249 which represents 8 percent of total expenses. The remaining functional expense categories are 4 percent or less of total expenses.

Financial Analysis of the Government's Funds

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. At the end of the fiscal year, the District's governmental funds had combined ending fund balances of \$65,502,804, a decrease of \$12,820,656 from the preceding year. Comments as to each major individual fund's change in fund balance follows.

The general fund is the primary operating fund of the District. At year-end, unassigned fund balance of the general fund was \$17,042,892, while total fund balance was \$33,250,509. To evaluate the general fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 25 percent of total general fund expenditures, while total fund balance represents 50 percent of that same total. The fund balance of the general fund increased \$1,501,655 during the year, primarily due to an increase in property tax revenues exceeded the increases in expenditures for instruction and contracted instructional services.

The debt service fund ended the year with a total fund balance of \$8,967,420, all of which is reserved for the payment of principal and interest on debt. The debt service fund balance increased by \$993,076 during the year primarily due to the increase in debt service requirements was offset by the increase in revenues from property taxes.

The capital projects fund ended the year with a total fund balance of \$22,783,998, all of which is reserved for capital acquisition program and contractual obligations. The capital projects fund balance decreased by \$15,448,058 primarily due to expenditures related to capital projects as outlined in the bond issue.

Governmental funds financial statements may be found by referring to the table of contents.

General Fund Budgetary Highlights

The significant differences between the original adopted budget and the final amended budget of the general fund were primarily from an increase of \$6,830,000 in projected property tax revenues from revised estimates for certified taxable values.

The District's general fund budget differs significantly from actual primarily due to a decrease of \$5,825,893 in state program revenues. This is a result of a change in state funding factors after issuance of the final budget by the District.

Capital Assets and Long-term Liabilities

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2016 was \$173,894,779 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment, and construction in progress. The increase in total capital assets, net of accumulated depreciation, for the current fiscal year was \$6,653,562.

Major capital asset activity during the year included the following:

- \$3,872,887 for various District-wide facility preservation costs
- \$4,116,193 construction costs for Multi-purpose Facility
- \$1,951,770 construction costs for Middle School North Campus

BARBERS HILL INDEPENDENT SCHOOL DISTRICT'S CAPITAL ASSETS

(net of depreciation)

	Governmental Activities					
	2016		2015		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and Improvements	\$ 4,695,478	3	\$ 4,695,478	3	\$ -	-
Buildings and Improvements	151,124,938	87	147,872,127	89	3,252,811	2
Furniture and Equipment	7,203,934	4	5,653,200	3	1,550,734	27
Construction in Progress	10,870,429	6	9,020,412	5	1,850,017	21
Totals	\$ 173,894,779	100	\$ 167,241,217	100	\$ 6,653,562	

Additional information on the District's capital assets can be found in Note III D of the notes to the financial statements as noted in the table of contents of this report.

Construction commitments. At the end of the current fiscal year, the District's commitments with construction contractors totaled \$2,286,116.

Noncurrent liabilities. At year-end, the District had the following long-term liabilities:

BARBERS HILL INDEPENDENT SCHOOL DISTRICT'S LONG-TERM LIABILITIES OUTSTANDING

	Governmental Activities					
	2016		2015		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General Obligation Bonds (Net)	\$ 207,240,278	93	\$ 216,200,023	96	\$ (8,959,745)	(4)
Note Payable	3,269,499	1	3,269,499	1	-	-
Workers' Compensation	137,331	-	170,416	-	(33,085)	(19)
Compensated Absences	37,565	-	47,885	-	(10,320)	(22)
Net Pension Liability	13,409,800	6	7,740,371	3	5,669,429	73
Totals	\$ 224,094,473	100	\$ 227,428,194	100	\$ (3,333,721)	

The District's total long-term liabilities decreased by \$3,333,721. The key factor was the decrease in general obligation bonds due to scheduled bond payments and the refunding of bonds exceeded the increase in net pension liability resulting from changes in proportionate share and the differences between projected and actual investment earnings.

The District's general obligation debt is backed by the full faith and credit of the District and when eligible, is further guaranteed by the Texas Permanent School Fund Guarantee Program.

State statutes do not limit the tax rate or amount of local tax support of school districts' bonded indebtedness. However, approval of the Attorney General of the State of Texas is required prior to the sale of bonds.

Additional information on the District's long-term debt can be found in Note III. E. in the notes to the financial statements as noted in the table of contents of this report.

The following table provides the District's key pension statistics related to the TRS plan as of and for the fiscal year ended June 30, 2016:

BARBERS HILL INDEPENDENT SCHOOL DISTRICT'S KEY PENSION STATISTICS

Net Pension Liability (NPL)	\$	13,409,800
Pension Expense	\$	2,533,052

Additional information on the District's net pension liability can be found in the notes to the financial statements as indicated in the table of contents of this report.

Economic and Other Factors and Fiscal Year 2016-17 Budgets

- School year budgeted (2016-17) student enrollment is 5,154, a 1% increase from the preceding year budget.
- District staff totals 738 employees in 2016-17, excluding substitutes and other part-time employees. This includes 360 teachers and 113 teacher aids and secretaries.
- Certified property values of the District decreased by 20% for maintenance and operations and increased by 10% for interest and sinking for the 2016-17 year.
- A maintenance and operations tax rate of \$1.06 and a debt service tax rate of \$.2698, a total rate of \$1.3298, was adopted for 2016-17, which did not change from the prior year.
- Unemployment rates for the State and County were 4.5% and 6.3%, respectively.

All of these factors and others were considered in preparing the District's budget for the 2016-17 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund increased to \$17,042,892. The District plans to utilize unassigned fund balance to fund current period expenditures prior to collecting the current year tax levy.

Requests for Information

This financial report is intended to provide a general overview of the District's finances for those with an interest in this information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Superintendent of Finance, Barbers Hill Independent School District, P.O. Box 1108, Mont Belvieu, Texas 77580.

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BASIC FINANCIAL STATEMENTS

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016**

EXHIBIT A-1

1

Data Control Codes	Primary Government	Component Unit
ASSETS	Governmental Activities	Barbers Hill ISD Education Foundation
1110 <i>Cash and Cash Equivalents</i>	\$ 39,842,547	\$ 30,025
1120 <i>Current Investments</i>	15,608,324	9,243,279
1220 <i>Property Taxes Receivable</i>	3,998,190	-
1230 <i>Allowance for Uncollectable Taxes</i>	(120,210)	-
1240 <i>Due from Other Governments</i>	2,014,063	-
1250 <i>Accrued Interest</i>	209,849	28,029
1290 <i>Other Receivables</i>	7,213	-
1300 <i>Inventories</i>	144,903	-
1410 <i>Prepaid Items</i>	762,714	-
1910 <i>Long-term Investments</i>	17,802,603	4,106,104
Capital Assets:		
1510 <i>Land and Improvements</i>	4,695,478	-
1520 <i>Buildings and Improvements (Net)</i>	151,124,938	-
1530 <i>Furniture and Equipment (Net)</i>	7,203,934	-
1580 <i>Construction in Progress</i>	10,870,429	-
1000 Total Assets	254,164,975	13,407,437
DEFERRED OUTFLOWS OF RESOURCES		
1705 <i>Deferred Outflows - Pension</i>	6,357,149	-
1710 <i>Deferred Charge on Refunding</i>	2,634,696	-
1700 Total Deferred Outflows of Resources	8,991,845	-
LIABILITIES		
2110 <i>Accounts Payable</i>	418,113	4,846
2140 <i>Interest Payable</i>	3,464,805	-
2160 <i>Accrued Wages Payable</i>	4,972,003	-
2180 <i>Due to Other Governments</i>	5,243,326	-
2200 <i>Accrued Liabilities</i>	243,598	-
2300 <i>Unearned Revenue</i>	12,372	-
Noncurrent Liabilities		
2501 <i>Due within One Year</i>	10,489,896	-
2502 <i>Due in More Than One Year</i>	200,194,777	-
2540 <i>Net Pension Liabilities</i>	13,409,800	-
2000 Total Liabilities	238,448,690	4,846
DEFERRED INFLOWS OF RESOURCES		
2605 <i>Deferred Inflows - Pension</i>	996,484	-
2600 Total Deferred Inflows of Resources	996,484	-
NET POSITION		
3200 <i>Net Investment in Capital Assets</i>	4,593,379	-
3820 <i>Restricted for Grants</i>	500,877	-
3850 <i>Restricted for Debt Service</i>	6,707,128	-
3900 <i>Unrestricted</i>	11,910,262	13,402,591
3000 Total Net Position	\$ 23,711,646	\$ 13,402,591

The accompanying notes are an integral part of this statement.

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

EXHIBIT B-1

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities	Component Unit Barbers Hill ISD Education Foundation
			Charges for Services				
Primary Government:							
Governmental Activities:							
0011	<i>Instruction</i>	\$ 38,831,349	\$ 331,078	\$ 4,184,232	\$ (34,316,039)	-	
0012	<i>Intructional Resources and Media Services</i>	689,426	-	39,181	(650,245)	-	
0013	<i>Curriculum and Staff Development</i>	719,710	-	67,347	(652,363)	-	
0021	<i>Instructional Leadership</i>	260,307	-	18,477	(241,830)	-	
0023	<i>School Leadership</i>	3,325,634	-	249,130	(3,076,504)	-	
0031	<i>Guidance, Counseling, & Evaluation Services</i>	1,712,995	-	122,142	(1,590,853)	-	
0032	<i>Social Work Services</i>	75,985	-	5,965	(70,020)	-	
0033	<i>Health Services</i>	799,694	-	56,236	(743,458)	-	
0034	<i>Student Transportation</i>	2,092,600	-	95,604	(1,996,996)	-	
0035	<i>Food Service</i>	2,642,093	2,188,685	539,904	86,496	-	
0036	<i>Extracurricular Activities</i>	2,831,477	107,408	98,717	(2,625,352)	-	
0041	<i>General Administration</i>	2,296,600	-	105,930	(2,190,670)	-	
0051	<i>Plant Maintenance and Operations</i>	7,525,017	-	238,129	(7,286,888)	-	
0052	<i>Security and Monitoring Services</i>	566,390	-	31,758	(534,632)	-	
0053	<i>Data Processing Services</i>	1,165,190	-	63,560	(1,101,630)	-	
0061	<i>Community Services</i>	46,705	-	-	(46,705)	-	
0072	<i>Interest on Long-term Debt</i>	7,147,249	-	124,509	(7,022,740)	-	
0073	<i>Issuance Costs and Fees</i>	170,293	-	-	(170,293)	-	
0081	<i>Facilities Repair and Maintenance</i>	892,184	-	18,636	(873,548)	-	
0091	<i>Contracted Instructional Services Between Schools</i>	14,503,753	-	-	(14,503,753)	-	
0095	<i>Payments to Juvenile Justice Alternative Education Programs</i>	73,030	-	-	(73,030)	-	
0099	<i>Other Intergovernmental Charges</i>	493,307	-	-	(493,307)	-	
TG	Total Governmental Activities	<u>88,860,988</u>	<u>2,627,171</u>	<u>6,059,457</u>	<u>(80,174,360)</u>		
TP	Total Primary Government	\$ <u>88,860,988</u>	\$ <u>2,627,171</u>	\$ <u>6,059,457</u>	(80,174,360)		
1C	Barbers Hill ISD Education Foundation	\$ <u>232,844</u>	\$ -	\$ -		\$ (232,844)	
General Revenues:							
MT	<i>Property Taxes, Levied for General Purposes</i>				60,192,836	-	
DT	<i>Property Taxes, Levied for Debt Services</i>				17,562,911	-	
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				2,033,094	3,196,292	
IE	<i>Investment Earnings</i>				1,284,757	324,756	
CA	<i>County Available</i>				1,242,195	-	
CE	<i>County Equalization</i>				1,866,730	-	
MI	<i>Miscellaneous</i>				1,292,365	-	
TR	Total General Revenues				<u>85,474,888</u>	<u>3,521,048</u>	
CN	Change in Net Position				5,300,528	3,288,204	
NB	Net Position - Beginning				18,411,118	10,114,387	
NE	Net Position - Ending				\$ <u>23,711,646</u>	\$ <u>13,402,591</u>	

The accompanying notes are an integral part of this statement.

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

Data Control Codes	199		599	
	General Fund		Debt Service Fund	
ASSETS				
1110	Cash and Cash Equivalents	\$ 26,017,787	\$ 7,002,168	
1120	Current Investments	6,275	1,243	
1220	Property Taxes Receivable	3,238,388	759,802	
1230	Allowance for Uncollectable Taxes	(98,905)	(21,305)	
1240	Due from Other Governments	1,746,471	3,493	
1250	Accrued Interest	160,970	25,075	
1260	Due from Other Funds	152,372	-	
1290	Other Receivables	7,213	-	
1300	Inventories	144,903	-	
1410	Prepaid Items	762,714	-	
1910	Long-term Investments	14,698,147	1,935,441	
1000	Total Assets	<u>\$ 46,836,335</u>	<u>\$ 9,705,917</u>	
1000a	Total Assets and Deferred Outflows of Resources	<u>\$ 46,836,335</u>	<u>\$ 9,705,917</u>	
LIABILITIES				
2110	Accounts Payable	\$ 224,740	\$ -	
2150	Payroll Deductions and Withholdings	215,019	-	
2160	Accrued Wages Payable	4,747,350	-	
2170	Due to Other Funds	-	-	
2180	Due to Other Governments	5,243,326	-	
2200	Accrued Liabilities	13,714	-	
2300	Unearned Revenue	2,194	-	
2000	Total Liabilities	<u>10,446,343</u>	<u>-</u>	
Deferred Inflows of Resources				
2600	Unavailable Revenue - Property Taxes	3,139,483	738,497	
	Total Deferred Inflows of Resources	<u>3,139,483</u>	<u>738,497</u>	
FUND BALANCES				
3410	Nonspendable - Inventories	144,903	-	
3430	Nonspendable - Prepaid Items	762,714	-	
3450	Restricted - Grants	-	-	
3470	Restricted - Capital Acquisitions and Contractual Obligations	-	-	
3480	Restricted - Debt Service	-	8,967,420	
3520	Committed - Claims and Judgements	2,500,000	-	
3525	Committed - Loans/Notes Payable	3,800,000	-	
3545	Committed - Other	9,000,000	-	
3600	Unassigned	17,042,892	-	
3000	Total Fund Balances	<u>33,250,509</u>	<u>8,967,420</u>	
4000	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 46,836,335</u>	<u>\$ 9,705,917</u>	

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

699	Total Nonmajor Funds	98 Total Governmental Funds
Capital Projects Fund		
\$ 6,182,283	\$ 640,309	\$ 39,842,547
15,600,806	-	15,608,324
-	-	3,998,190
-	-	(120,210)
-	264,099	2,014,063
23,804	-	209,849
-	-	152,372
-	-	7,213
-	-	144,903
-	-	762,714
1,169,015	-	17,802,603
<u>\$ 22,975,908</u>	<u>\$ 904,408</u>	<u>\$ 80,422,568</u>
\$ 22,975,908	\$ 904,408	\$ 80,422,568
\$ 191,860	\$ 1,513	\$ 418,113
-	14,865	229,884
50	224,603	4,972,003
-	152,372	152,372
-	-	5,243,326
-	-	13,714
-	10,178	12,372
<u>191,910</u>	<u>403,531</u>	<u>11,041,784</u>
-	-	3,877,980
<u>-</u>	<u>-</u>	<u>3,877,980</u>
-	-	144,903
-	-	762,714
-	500,877	500,877
22,783,998	-	22,783,998
-	-	8,967,420
-	-	2,500,000
-	-	3,800,000
-	-	9,000,000
-	-	17,042,892
<u>22,783,998</u>	<u>500,877</u>	<u>65,502,804</u>
\$ 22,975,908	\$ 904,408	\$ 80,422,568

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**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

EXHIBIT C-1R

Total Fund Balances - Governmental Funds (Exhibit C-1) \$ 65,502,804

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:

Governmental Capital Assets Costs	\$ 238,305,279	
Accumulated Depreciation of Governmental Capital Assets	<u>(64,410,500)</u>	173,894,779

Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds.		3,877,980
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Long-term liabilities, including bonds payable, note payable, workers compensation, compensated absences, and net pension liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to such items consist of:

Bonds Payable, at Original Par	\$ (191,180,000)	
Premium on Bonds Payable	(16,099,394)	
Discount on Bonds Payable	39,116	
Accrued Interest on the Bonds	(2,998,789)	
Note Payable	(3,269,499)	
Accrued Interest on Notes Payable	(466,016)	
Workers' Compensation	(137,331)	
Compensated Absences	(37,565)	
Net Pension Liability	<u>(13,409,800)</u>	(227,559,278)

Deferred charge on refunding is reported as a deferred outflow in the statement of net position and it is not reported in the funds due to it is not a current financial resource available to pay for current expenditures.		2,634,696
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Deferred outflows for pension are included in the statement of net position and are not reported in the funds due to they are not current financial resources available to pay for current expenditures.		6,357,149
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Deferred inflows for pension are included in the statement of net position and are not reported in the funds due to they are not current financial resources available to pay for current expenditures.		<u>(996,484)</u>
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Total Net Position - Governmental Activities (Exhibit A-1) **\$ 23,711,646**

The accompanying notes are an integral part of this statement.

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

Data Control Codes	199	599
	General Fund	Debt Service Fund
REVENUES		
5700 <i>Local and Intermediate Revenues</i>	\$ 64,262,426	\$ 17,359,592
5800 <i>State Program Revenues</i>	4,041,633	124,509
5900 <i>Federal Program Revenues</i>	255,518	-
5020 <i>Total Revenues</i>	<u>68,559,577</u>	<u>17,484,101</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	30,870,519	-
0012 <i>Instructional Resources and Media Services</i>	542,191	-
0013 <i>Curriculum and Staff Development</i>	678,909	-
0021 <i>Instructional Leadership</i>	256,746	-
0023 <i>School Leadership</i>	3,266,990	-
0031 <i>Guidance, Counseling, and Evaluation Services</i>	1,685,843	-
0032 <i>Social Work Services</i>	74,224	-
0033 <i>Health Services</i>	780,980	-
0034 <i>Student Transportation</i>	1,554,371	-
0035 <i>Food Service</i>	-	-
0036 <i>Extracurricular Activities</i>	2,045,690	-
0041 <i>General Administration</i>	2,117,651	-
0051 <i>Plant Maintenance and Operations</i>	6,667,112	-
0052 <i>Security and Monitoring Services</i>	421,884	-
0053 <i>Data Processing Services</i>	993,323	-
0061 <i>Community Services</i>	31,399	-
Debt Service:		
0071 <i>Principal on Long-term Debt</i>	-	8,225,000
0072 <i>Interest on Long-term Debt</i>	-	8,257,645
0073 <i>Issuance Costs and Fees</i>	-	170,293
Capital Outlay:		
0081 <i>Facilities Aquisition and Construction</i>	-	-
Intergovernmental:		
0091 <i>Contracted Instructional Services Between Schools</i>	14,503,753	-
0095 <i>Payments to Juvenile Justice Alternative Education Programs</i>	73,030	-
0099 <i>Other Intergovernmental Charges</i>	493,307	-
6030 <i>Total Expenditures</i>	<u>67,057,922</u>	<u>16,652,938</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>1,501,655</u>	<u>831,163</u>
OTHER FINANCING SOURCES (USES)		
7901 <i>Refunding Bonds Issued</i>	-	8,845,000
7916 <i>Premium or Discount on Issuance of Bonds</i>	-	1,116,480
7949 <i>State Revenue Pursuant to Tax Refund</i>	1,469,045	-
8940 <i>Payment to Refunded Bonds Escrow Agent</i>	-	(9,799,567)
8948 <i>Tax Refund Pursuant to Texas Tax Code 313</i>	(1,469,045)	-
7080 <i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>161,913</u>
1200 <i>Net Change in Fund Balances</i>	1,501,655	993,076
0100 <i>Fund Balances - Beginning</i>	31,748,854	7,974,344
3000 Fund Balances - Ending	<u>\$ 33,250,509</u>	<u>\$ 8,967,420</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

699	Total Nonmajor Funds	98 Total Governmental Funds
Capital Projects Fund		
\$ 595,636	\$ 2,188,468	\$ 84,406,122
12,347	947,562	5,126,051
-	1,506,681	1,762,199
<u>607,983</u>	<u>4,642,711</u>	<u>91,294,372</u>
2,395,255	1,901,224	35,166,998
78,524	-	620,715
-	31,288	710,197
-	-	256,746
8,487	-	3,275,477
785	-	1,686,628
-	-	74,224
13,900	-	794,880
1,596,542	-	3,150,913
-	2,577,528	2,577,528
286,711	-	2,332,401
36,154	-	2,153,805
431,041	-	7,098,153
3,500	-	425,384
84,704	-	1,078,027
15,306	-	46,705
-	-	8,225,000
-	-	8,257,645
-	-	170,293
11,105,132	-	11,105,132
-	-	14,503,753
-	-	73,030
-	-	493,307
<u>16,056,041</u>	<u>4,510,040</u>	<u>104,276,941</u>
<u>(15,448,058)</u>	<u>132,671</u>	<u>(12,982,569)</u>
-	-	8,845,000
-	-	1,116,480
-	-	1,469,045
-	-	(9,799,567)
-	-	(1,469,045)
<u>-</u>	<u>-</u>	<u>161,913</u>
<u>(15,448,058)</u>	<u>132,671</u>	<u>(12,820,656)</u>
38,232,056	368,206	78,323,460
<u>\$ 22,783,998</u>	<u>\$ 500,877</u>	<u>\$ 65,502,804</u>

BARBERS HILL INDEPENDENT SCHOOL DISTRICT **EXHIBIT C-3**
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Total Net Changes in Fund Balances - Governmental Funds (Exhibit C-2) \$ (12,820,656)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Assets <i>increased</i>	\$ 12,566,396	
Depreciation Expense	<u>(5,436,806)</u>	7,129,590

The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is an increase (decrease) to net position. (476,028)

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year. 1,759,069

Issuance of bonds provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Par Value	\$ (8,845,000)	
(Premium) Discount	<u>(1,116,480)</u>	(9,961,480)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 8,225,000

Payment to escrow agent to refund bonds from refunding proceeds 9,799,567

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due, and includes amortization of related long-term debt accounts. The (increase) decrease in interest expense reported in the statement of activities consist of the following:

Accrued Interest on Current Interest Bonds Payable <i>(increased) decreased</i>	\$ 136,209	
Accrued Interest on Notes Payable <i>(increased) decreased</i>	(65,435)	
Amortization of Bond Premium and Discount	1,257,803	
Amortization of Deferred Charge on Refunding	<u>(218,181)</u>	1,110,396

The (increase) decrease in workers' compensation is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. 33,085

The (increase) decrease in compensated absences is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. 10,320

The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred Outflows Increased (Decreased)	\$ 4,789,776	
Deferred Inflows (Increased) Decreased	1,371,318	
Net Pension Liability (Increased) Decreased	<u>(5,669,429)</u>	<u>491,665</u>

Change in Net Position for Governmental Activities (Exhibit B-1) **\$ 5,300,528**

The accompanying notes are an integral part of this statement.

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2016**

EXHIBIT E-1

Data Control Codes		865 Agency Fund
		<u> </u>
	ASSETS	Student Activity
		<u> </u>
1110	<i>Cash and Cash Equivalents</i>	\$ 481,065
1120	<i>Current Investments</i>	1,055
1000	Total Assets	\$ <u>482,120</u>
	LIABILITIES	
2110	<i>Accounts Payable</i>	\$ 1,845
2190	<i>Due to Student Groups</i>	480,275
2000	Total Liabilities	\$ <u>482,120</u>

The accompanying notes are an integral part of this statement.

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government (District) and its component unit. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions. Likewise, the *primary government* is reported separately from the legally separate *component unit* for which the primary government is financially accountable.

B. Reporting Entity

The Barbers Hill Independent School District (District) is governed by a seven-member board of trustees (Board), which has governance responsibilities over all activities related to public, elementary and secondary, education within the District. Members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters. The District is not included in any other governmental reporting entity. The accompanying financial statements present the District and its component unit, an entity for which the District is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the District.

Discretely Presented Component Unit. The Barbers Hill Independent School District Education Foundation (Foundation) was created to provide grants to Barbers Hill Independent School District teachers for the purpose of enhancing education of the Barbers Hill Independent School District students. The Foundation is governed by at least 3 but not to exceed 15 members who are elected by the Foundation's directors. The District provides the employees for the Foundation and maintains the Foundation's accounting records. The District is reimbursed for the aforementioned functions. Due to the significant benefits provided by the Foundation to the District and because the District is financially accountable for the Foundation, the component unit is reported as a discretely presented component unit.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the District has one discretely presented component unit which is shown in a separate column in the government-wide financial statements.

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

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

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

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The *capital projects fund* accounts for the acquisition and construction of the District's major capital facilities, other than those financed by proprietary funds.

Additionally, the District reports the following fund types:

The *agency fund* accounts for assets held by the District for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement or results of operations.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the amount due from/to agency is included in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds are eliminated in governmental activities.

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide 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. 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 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, debt service and note payable expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenues in the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items, including property taxes, are considered to be measurable and available only when cash is received by the District.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and bank demand or time deposits with original maturities of one year or less from the date of acquisition.

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance - Continued

2. Investments

Investments, except for certain investment pools, for the District are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized costs or net asset value.

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include land and improvements, construction in progress, buildings and improvements, and furniture and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the District chose to include all such items regardless of their acquisition date or amount. The District was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continued

4. Capital Assets - Continued

Land and improvements and construction in progress are not depreciated. The buildings and improvements and furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings and Improvements	5-50
Furniture and Equipment	5-50

5. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The components of the deferred outflows of resources and deferred inflows of resources in the government-wide and fund level financial statements are as follows:

	<u>Statement of</u>	<u>Balance Sheet - Governmental Funds</u>	
	<u>Net Position</u>	<u>General</u>	<u>Debt Service</u>
	<u>Governmental</u>	<u>Fund</u>	<u>Fund</u>
	<u>Activities</u>		
Deferred Outflows of Resources:			
Deferred Outflows from Pension Activities	\$ 6,357,149	\$ -	\$ -
Deferred Charge on Refunding	2,634,696	-	-
Total Deferred Outflows of Resources	\$ 8,991,845	\$ -	\$ -
Deferred Inflows of Resources:			
Deferred Inflows from Pension Activities	\$ 996,484	\$ -	\$ -
Unavailable Property Taxes	-	3,139,483	738,497
Total Deferred Inflows of Resources	\$ 996,484	\$ 3,139,483	\$ 738,497

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- Property taxes are recognized in the period the amount becomes available.

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance - Continued

6. Net Position Flow Assumption

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

It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. Fund Balance Flow Assumptions

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

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The board of trustees is the highest level of decision-making authority for the District that can, by board action or adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by board action or the resolution remains in place until a similar action is taken (the board action or adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board of trustees (Board) has by policy authorized the superintendent or his designee to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continued

8. Fund Balance Policies - Continued

discussed above, an additional action is essential to either remove or revise a commitment.

In the general fund, the District shall maintain at a minimum unassigned fund balance equal to or greater than 20 percent of the combined budgeted expenditures of the District's general fund.

9. Pension

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Notes IV.C. and the RSI section immediately following the Notes to the Financial Statements), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The District recognizes a net pension liability for the qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the District's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the respective pensions' fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Revenues and Expenditures/Expenses

2. Property Taxes

Property values are determined by the County Central Appraisal District as of January 1 of each year. Prior to July 1 of each year, the District adopts its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

3. Compensated Absences

The District grants 3-5 local sick days per contract year depending on the number of days in the employees' contract. Effective July 1, 1995, local sick days accumulated but do not vest. Prior to July 1, 1995, all accrued local sick days are vested and will be paid as follows:

- An eligible employee who has filed the necessary paperwork for retirement under the Texas Teacher Retirement System (TRS) shall be reimbursed for unused local leave at his or her current daily rate of pay for the balance of unused local leave days accumulated as of the last day of the 1995-96 contract or employment year.
- Prior to retirement, an eligible employee may request reimbursement at his or her current daily rate of pay for the balance of unused local leave days and/or vacation days accumulated as of the last day of the 1995-96 contract or employment year. A letter of request must be submitted to the Superintendent or designee.

A liability for accrued, vested amounts is included in long-term liabilities in the Statement of Net Position.

4. Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

5. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the Financial Accountability System Resource Guide. TEA requires school districts to display these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide data base for policy development and funding plans.

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016**

NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, *national school breakfast/lunch program* special revenue fund, and debt service fund. All annual appropriations lapse at fiscal year-end. The following procedures are followed in establishing the budgetary data reflected in the financial statements.

1. Prior to June 19 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.

The appropriated budget is prepared by fund, function, and campus/department. The District's campus/department heads may make transfers of appropriations within a campus/department. Transfers of appropriations between campus/departments require the approval of the District's management. Transfers of appropriations between functions require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. The District made one supplemental budgetary amendment during the year.

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Significant encumbrances included in governmental fund balances are as follows:

	Encumbrances Included in:
	Restricted Fund Balance
Capital Projects Fund	\$ 111,336
Total Nonmajor Funds	<u>6,872</u>
Total Encumbrances	\$ <u><u>118,208</u></u>

NOTE III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash deposits. The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities shall be in an amount sufficient to protect District funds on a day-to-day basis

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE III. DETAILED NOTES ON ALL FUNDS - CONTINUED

A. Deposits and Investments- Continued

during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Investments. The District's investment policy is in accordance with the Public Funds Investment Act (PFIA), the Public Funds Collateral Act, and federal and state laws. State law and District policy limits credit risk by allowing investing in 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm (NRIRF) not less than A or its equivalent; 2) Certificates of deposit issued by a depository located in Texas which is insured by the FDIC or purchased through a broker who has an office located in Texas; 3) Repurchase agreements secured by obligations of the United States or its agencies not to exceed 90 days to maturity from the date of purchase; 4) Bankers acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 5) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission which have an average weighted maturity of less than two years, investments comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRIRF. 6) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 7) Public funds investment pools which meets the requirements of the Public Funds Investment Act; 8) Commercial paper if it has a stated maturity of 271 days or fewer from the day of its issuance; and is rated not less than A-1 or P-1 or an equivalent rating by at least: two nationally recognized credit ratings agencies; or one nationally recognized agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; 9) Securities lending program as permitted by Government Code 2256.0115.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE III. DETAILED NOTES ON ALL FUNDS - CONTINUED

A. Deposits and Investments - Continued

hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The District's governmental and fiduciary funds had recurring fair value measurements as presented in the table below. The District's investment balances and weighted average maturity of such investments are as follows:

Governmental Funds' Investment Type	Moody's / S&P Rating	June 30, 2016	Fair Value Measurements Using		Percentage of Total Investments	Weighted Average Maturity (Years)
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)		
<i>Investments Measured at Amortized Costs:</i>						
<i>Investment Pools:</i>						
Texpool	AAA	\$ 4,880	\$ -	\$ -	0%	0.13
Lonestar - Corporate Overnight	AAA	4,269	-	-	0%	0.12
<i>Investments Measured at Net Asset Value (NAV):</i>						
<i>Investment Pools:</i>						
TexStar	AAA	1,675	-	-	0%	0.13
<i>Investments by Fair Value Level:</i>						
U.S. Government Agencies	AA- to AA+	19,541,085	19,541,085	-	59%	1.44
Municipal Government Securities	A+ to AAA	13,729,018	13,729,018	-	41%	9.91
Lumberton ISD Time Warrant	A2*	130,000	-	130,000	0%	0.12
Total Value		\$ 33,410,927	\$ 33,270,103	\$ 130,000	100%	
Portfolio Weighted Average Maturity						4.92

* The most recent rating was performed by Moody's Investor Services on April 1, 2012 to be "A2" rated.

Fiduciary Funds' Investment Type	Standard & Poor's Rating	June 30, 2016	Fair Value Measurements Using		Percentage of Total Investments	Weighted Average Maturity (Years)
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)		
Lonestar - Corporate Overnight	AAA	\$ 1,055	\$ -	\$ -	100%	0.12
Total Value		\$ 1,055	\$ -	\$ -	100%	
Portfolio Weighted Average Maturity						0.12

Investment Pools are measured at amortized cost and are exempt for fair value reporting.

U.S. Government Agency Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Municipal Government Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Lumberton ISD Time Warrant classified in Level 2 of the fair value hierarchy is valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The Texpool and Lone Star investment pools are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pools transact at a net asset value of \$1.00 per share, have weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE III. DETAILED NOTES ON ALL FUNDS - CONTINUED

A. Deposits and Investments - Continued

by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. Texpool and Lone Star have a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

The TexStar investment pool is an external investment pool measured at their net asset value. TexStar's strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The District has no unfunded commitments related to the investment pool. TexStar has a redemption notice period of one day and may redeem daily. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity.

Credit risk. At year-end, the District's investments were rated as noted in the table above. All credit ratings met acceptable levels required by legal guidelines prescribed in both the PFIA and the District's investment policy.

Interest rate risk. Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis and specific identification. Investments with maturities longer than one year shall be authorized by the Superintendent and shall not exceed legal limits prescribed by the state and federal laws.

Concentration of credit risk. The District's investment policy does not limit an investment in any one issuer. The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. On June 30, 2016, District's banks' balances of \$41,042,356 were not exposed to custodial credit risk because it was insured and collateralized with securities held by the District's agent in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are held by the District's agent in the District's name for the benefit of the District.

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE III. DETAILED NOTES ON ALL FUNDS - CONTINUED

A. Deposits and Investments - Continued

As of June 30, 2016, the Barbers Hill Independent School District Education Foundation had investments as follows:

<u>Barbers Hill ISD Education Foundation</u>	<u>Moody's/ S&P Rating/ Morningstar</u>	<u>June 30, 2016</u>	<u>Fair Value Measurements Using</u>		<u>Percentage of Total Investments</u>
			<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	
Money Market Funds	Not Rated	\$ 421,635	\$ -	\$ 421,635	3%
Fixed Income Funds	BBB- to AA+	4,106,104	-	4,106,104	31%
Mutual Funds	* to ***	168,649	168,649	-	1%
Equity Securities	Not Rated	8,652,995	8,652,995	-	65%
Total Value		\$ 13,349,383	\$ 8,821,644	\$ 4,527,739	100%
Portfolio Weighted Average Maturity					

The Foundation does not have an investment policy.

Money Market Funds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Fixed Income Funds (Corporate Bonds) classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Mutual Funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Equity Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

B. Receivables

Tax revenues of the general and debt service funds are reported net of estimated uncollectible amounts. Total uncollectible amounts related to revenues of the current period increased (decreased) revenues as follows:

Uncollectibles Related to General Fund Property Taxes	\$ 12,099
Uncollectibles Related to Debt Service Property Taxes	2,941
Total Uncollectibles of the Current Fiscal Year	\$ 15,040

Approximately 68% of the outstanding balance of property taxes is not anticipated to be collected within the next year.

A concentration of risk exists for local revenue sources since approximately 31% of the District's taxable property value is attributed to three taxpayers. Similarly, the District's ten largest taxpayers approximate 64% of the total taxable value of the District.

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE III. DETAILED NOTES ON ALL FUNDS – CONTINUED

C. Interfund Receivables, Payables, and Transfers

1. Receivables/Payables

The composition of interfund receivable/payable balances as of June 30, 2016, is as follows:

<u>Due From/To Other Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 152,372	\$ -
Nonmajor Governmental Funds	-	152,372
Totals	\$ 152,372	\$ 152,372

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are primarily paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

2. Transfers

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” Transfers are the use of funds collected in one fund and are transferred to finance various programs accounted for in other funds. The following is a summary of the District’s transfers for the year ended June 30, 2016.

<u>Transfer Out</u>	<u>Transfers In</u>	<u>Amount</u>
None		\$ -
Total		\$ -

D. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers & Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital Assets, not being Depreciated:					
Land and Improvements	\$ 4,695,478	\$ -	\$ -	\$ -	\$ 4,695,478
Construction in Progress	9,020,412	5,232,717	(325,833)	(3,056,867)	10,870,429
Total Capital Assets, not being Depreciated	13,715,890	5,232,717	(325,833)	(3,056,867)	15,565,907
Capital Assets, being Depreciated:					
Buildings and Improvements	194,028,434	4,868,916	-	3,020,951	201,918,301
Furniture and Equipment	19,111,626	2,464,763	(793,070)	37,752	20,821,071
Total Capital Assets, being Depreciated	213,140,060	7,333,679	(793,070)	3,058,703	222,739,372
Less Accumulated Depreciation for:					
Buildings and Improvements	(46,156,307)	(4,508,273)	-	(128,783)	(50,793,363)
Furniture and Equipment	(13,458,426)	(928,533)	768,105	1,717	(13,617,137)
Total Accumulated Depreciation	(59,614,733)	(5,436,806)	768,105	(127,066)	(64,410,500)
Total Capital Assets, being Depreciated, net	153,525,327	1,896,873	(24,965)	2,931,637	158,328,872
Governmental Activities Capital Assets, net	\$ 167,241,217	\$ 7,129,590	\$ (350,798)	\$ (125,230)	\$ 173,894,779

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016**

NOTE III. DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Capital Assets - Continued

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:	
11 Instruction	\$ 3,033,461
12 Instructional Resources and Media Services	55,396
13 Curriculum and Staff Development	2,271
23 School Leadership	176
31 Guidance, Counseling, & Evaluation Services	288
33 Health Services	1,505
34 Student Transportation	382,124
35 Food Service	50,539
36 Extracurricular Activities	445,610
41 General Administration	114,919
51 Plant Maintenance and Operations	1,154,469
52 Security and Monitoring Services	125,085
53 Data Processing Services	70,963
Total Depreciation Expense-Governmental Activities	\$ <u>5,436,806</u>

Construction Commitments

The District has active construction projects as of June 30, 2016. The projects include the construction and equipment of school facilities. At year-end, the District's commitments with contractors are as follows:

<u>Project</u>	<u>Remaining Commitment</u>
Summer 2016 Campus Improvements	\$ 2,088,654
Spring 2016 Campus Improvements	197,462
Totals	\$ <u>2,286,116</u>

The commitment for construction and equipment of school facilities is being financed by general obligation bonds secured by tax revenues and local funds.

E. Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness, note payable, workers' compensation claims, compensated absences, and net pension liability. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The general fund has been used to liquidate any other long-term liability not accounted for in the debt service fund.

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE III. DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Long-term Liabilities - Continued

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 200,100,000	\$ 8,845,000	\$ (17,765,000)	\$ 191,180,000	\$ 10,315,000
Less Deferred Amounts:					
For Issuance Premiums (CIB's)	16,276,099	1,116,480	(1,293,185)	16,099,394	-
For Issuance Discounts (CIB's)	(176,076)	-	136,960	(39,116)	-
Total Bonds Payable, net	216,200,023	9,961,480	(18,921,225)	207,240,278	10,315,000
Note Payable	3,269,499	-	-	3,269,499	-
Workers' Compensation	170,416	92,990	(126,075)	137,331	137,331
Compensated Absences	47,885	770	(11,090)	37,565	37,565
Net Pension Liability	7,740,371	7,789,207	(2,119,778)	13,409,800	-
Governmental Activity Long-term Liabilities	\$ 227,428,194	\$ 17,844,447	\$ (21,178,168)	\$ 224,094,473	\$ 10,489,896

General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school buildings (BLDG and QSCB) and to refund general obligation bonds (REF).

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued as 3-25 year current interest bonds with various amounts of principal maturing each year. Rates may be fixed or variable.

The following is a summary of changes in the general obligation bonds for the fiscal year:

<u>Series</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
2006 BLDG	4.00-5.00%	24,000,000	2031	\$ 5,915,000	\$ -	\$ (5,915,000)	\$ -
2007 BLDG	4.00-5.50%	9,660,000	2025	7,045,000	-	(3,915,000)	3,130,000
2010 REF	3.00-4.00%	2,340,000	2027	1,770,000	-	(120,000)	1,650,000
2011 BLDG	4.25-4.50%	9,450,000	2036	9,450,000	-	-	9,450,000
2012 BLDG	2.00-5.00%	65,395,000	2037	63,550,000	-	(1,715,000)	61,835,000
2012 QSCB	3.88%	7,085,000	2029	7,085,000	-	-	7,085,000
2012 REF	2.00-5.00%	7,220,000	2022	5,680,000	-	(735,000)	4,945,000
2013 REF	2.00-3.00%	9,375,000	2029	7,370,000	-	-	7,370,000
2014 BLDG	2.00-5.00%	42,895,000	2025	42,750,000	-	(2,135,000)	40,615,000
2014 REF	2.00-5.00%	21,195,000	2030	21,145,000	-	(1,265,000)	19,880,000
2014A REF	2.00-5.00%	28,885,000	2027	28,340,000	-	(1,860,000)	26,480,000
2015 REF	2.00-4.00%	8,845,000	2032	-	8,845,000	(105,000)	8,740,000
Totals				\$ 200,100,000	\$ 8,845,000	\$ (17,765,000)	\$ 191,180,000

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE III. DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Long-term Liabilities - Continued

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 10,315,000	\$ 7,967,623	\$ 18,282,623
2018	10,335,000	7,596,123	17,931,123
2019	11,895,000	7,177,123	19,072,123
2020	12,045,000	6,624,923	18,669,923
2021	12,265,000	6,076,861	18,341,861
2022	12,395,000	5,516,511	17,911,511
2023	12,530,000	4,986,973	17,516,973
2024	12,680,000	4,460,798	17,140,798
2025	12,585,000	3,943,936	16,528,936
2026	8,945,000	3,420,136	12,365,136
2027	9,310,000	3,051,961	12,361,961
2028	6,840,000	2,693,761	9,533,761
2029	14,325,000	2,446,861	16,771,861
2030	5,950,000	1,897,463	7,847,463
2031	5,305,000	1,659,463	6,964,463
2032	5,300,000	1,447,263	6,747,263
2033	5,545,000	1,228,938	6,773,938
2034	5,815,000	961,263	6,776,263
2035	6,100,000	685,513	6,785,513
2036	6,365,000	393,575	6,758,575
2037	4,335,000	151,725	4,486,725
Totals	\$ <u>191,180,000</u>	\$ <u>74,388,793</u>	\$ <u>265,568,793</u>

As of June 30, 2016, the District has \$15,000,000 of authorized but unissued bonds from the November 5, 2013 bond election or any other election.

Beginning February 2015, the 2012 Qualified School Construction Bond (QSCB) payments are deposited annually into an escrow account in the Debt Service Fund until maturity of the bonds on February 15, 2029. At which time, the accumulation of deposits will total \$7,085,000 and will pay off the outstanding QSCB debt.

In September 2015, the District issued \$8,845,000 of refunding bonds. The proceeds of the refunding bonds were used to legally defease \$9,540,000 of previously issued District bonds in order to lower its overall debt service requirements. The reacquisition price exceeded the net carrying value of the old debt by \$361,145. The District advance-refunded the bonds in order to reduce its future debt service payments by \$1,861,861 and to obtain an economic gain (differences between the present values of the debt service payments on the old and new debt) of \$1,471,850.

In the current year, the District defeased certain previously issued and outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2016, the District had \$3,625,000 in outstanding defeased bonds.

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE III. DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Long-term Liabilities - Continued

Note Payable

On March 23, 2009, the District received a community disaster loan from the Federal Emergency Management Agency (FEMA) in the amount of \$5,000,000. The interest rate on the loan is 2.00%. The District submitted a cancellation application to FEMA on January 27, 2014 as a result of the major disaster declaration on September 13, 2008 for the State of Texas. The application was approved by FEMA for a partial cancellation in the amount of \$1,730,501. Principal and interest on the original loan was due on April 27, 2014. A time extension was granted by FEMA to extend the loan due date until April 27, 2019. Debt service requirements due April 27, 2019 include principal of \$3,269,499 and interest of \$650,675.

F. Fund Balance

Other committed fund balance includes the following commitments of funds:

General Fund:	
Potential Property Value Decline	\$ 9,000,000
Total Other Committed Fund Balance	\$ <u>9,000,000</u>

G. Revenues from Local and Intermediate Sources

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

	General Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Funds	Totals
Property Taxes	\$ 58,792,409	\$ 17,204,269	\$ -	\$ -	\$ 75,996,678
Charges for Services	435,036	-	-	2,188,361	2,623,397
County Equalization	1,866,730	-	-	-	1,866,730
County Available	1,242,195	-	-	-	1,242,195
Investment Earnings	883,269	155,323	246,058	107	1,284,757
Other	1,042,787	-	349,578	-	1,392,365
Total	\$ <u>64,262,426</u>	\$ <u>17,359,592</u>	\$ <u>595,636</u>	\$ <u>2,188,468</u>	\$ <u>84,406,122</u>

NOTE IV. OTHER INFORMATION

A. Risk Management

General

Like all public school districts, the District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 2016, the District purchased commercial insurance or participated in risk pools in which the District transfers the risk for claims related to property and liability risks.

Health Care Coverage

During the year ended June 30, 2016, employees of the District were covered by TRS-Active Care (the Plan) a statewide health coverage program for Texas public education employees,

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE IV. OTHER INFORMATION – CONTINUED

A. Risk Management - Continued

implemented by the Teacher Retirement System of Texas (TRS). The District paid premiums of \$175 per month, per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to the TRS. The legislature created the Plan for public school employee group health coverage in 2002-03, requiring all Districts with fewer than 500 employees to participate in the Plan.

Workers' Compensation

During the year ended June 30, 2016, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

Barbers Hill ISD participates in the Fund's reimbursable aggregate deductible program. As such, the member is responsible for a certain amount of claims liability as outlined on the member's Contribution and Coverage Summary document. After the member's deductible has been met, the Fund is responsible for additional claims liability.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2015, the Fund carries a discounted reserve of \$58,364,320 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended June 30, 2016, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The liability estimation requires the estimate of loss development over an extended period of time. During the self-insurance period of time, numerous internal and external factors will affect the ultimate settlement value of claims. Due to the inherent uncertainty with regard to the impact of these factors, there can be no guarantee that actual losses will not vary, perhaps significantly, from the estimates. There were no significant reductions in insurance coverage from the prior year or settlements exceeding insurance coverage for each of the past three fiscal years. The following is a summary of the changes in the balances of claims liabilities for workers' compensation for the year ended June 30:

	<u>Year Ended 6/30/2016</u>	<u>Year Ended 6/30/2015</u>
Unpaid Claims, Beginning of Fiscal Year	\$ 170,416	\$ 205,845
Incurred Claims (including IBNR's and changes in provisions)	92,990	33,327
Claim Payments	<u>(126,075)</u>	<u>(68,756)</u>
Unpaid Claims, End of Fiscal Year	<u>\$ 137,331</u>	<u>\$ 170,416</u>

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE IV. OTHER INFORMATION - CONTINUED

A. Risk Management - Continued

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

B. Contingencies

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through June 30, 2016, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

C. 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). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE IV. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan - Continued

service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

Contributions

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Member	7.2%	6.7%	6.4%
Non-Employer Contributing Entity (State)	6.8%	6.8%	6.8%
Employers/District	6.8%	6.8%	6.8%

The contribution amounts for the District's fiscal year 2016 are as follows:

District Contributions	<u>2016</u>
Member Contributions	\$ 1,185,438
NECE On-behalf Contributions (State)	2,829,524
	3,024,717

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

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

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016**

NOTE IV. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan - Continued

State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

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

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

Actuarial Assumptions

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

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term Expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Post-employment Benefit Changes	None

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

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE IV. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan - Continued

contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

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

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

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE IV. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan - Continued

The following table presents the District's proportionate share of net pension liability for TRS calculated using the discount rate of 8.0%, as well as the District's proportionate share of the respective net pension liability if it was calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease <u>(7.00%)</u>	Current Discount Rate <u>(8.00%)</u>	1% Increase <u>(9.00%)</u>
TRS	\$ 21,010,630	\$ 13,409,800	\$ 7,078,782

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

At June 30, 2016, the District reported a liability of \$13,409,800 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 are as follows:

District's Proportionate Share of the Net Pension Liability	\$ 13,409,800
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>21,228,484</u>
Total	<u>\$ 34,638,284</u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 through August 31, 2015.

At August 31, 2015, the employer's proportion of the collective net pension liability was .0379358%, which was an increase of .0089580% from its proportion measured as of August 31, 2014.

Changes Since the Prior Actuarial Valuation

The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

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

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE IV. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan - Continued

Mortality Assumptions

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

Other Demographic Assumptions

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

Actuarial Methods and Policies

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

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

For the year ended June 30, 2016, the District recognized pension expense of \$3,539,730 and on-behalf revenue of \$3,024,717 for support provided by the State.

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE IV. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan - Continued

At June 30, 2016, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actuarial Economic Experience	\$ -	\$ 515,351
Changes in Actuarial Assumptions	-	478,403
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	3,302,535	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions (Cost-Sharing Plan)	2,047,936	2,730
District Contribution after Measurement Date	<u>1,006,678</u>	<u>-</u>
Totals	\$ <u>6,357,149</u>	\$ <u>996,484</u>

\$1,006,678 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2017	\$ 873,218
2018	873,218
2019	873,218
2020	1,464,662
2021	187,817
Thereafter	<u>81,854</u>
Totals	\$ <u>4,353,987</u>

D. School District Retiree Health Plan

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

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE IV. OTHER INFORMATION – CONTINUED

D. School District Retiree Health Plan - Continued

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

Contribution Rates and Amounts

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2016	0.65%	\$ 255,443	1.00%	\$ 385,501	0.55%	\$ 216,144
2015	0.65%	\$ 236,116	1.00%	\$ 355,648	0.55%	\$ 199,790
2014	0.65%	\$ 220,275	1.00%	\$ 306,634	0.55%	\$ 186,386

In addition, the State of Texas contributed \$122,807, \$109,797, and \$91,217 in 2016, 2015, and 2014, respectively, for on-behalf payments for Medicare Part D.

For the current fiscal year and each of the past two years, the District’s actual contributions were equal to 100 percent of the required contributions. The contributions made by the State are on behalf of the District and have been recorded in the governmental funds’ financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

E. Nonmonetary Transactions

During 2016, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$14,553. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$14,553 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

F. Subsequent Event

On August 11, 2016, the District issued \$13,860,000 in Unlimited Tax School Building Bonds, which was authorized from the November 5, 2013 election approved by the board. The proceeds of the bonds are intended to provide renovations or updates to school facilities.

REQUIRED SUPPLEMENTARY INFORMATION

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

EXHIBIT G-1

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget
		Original	Final		Positive (Negative)
REVENUES					
5700	Local and Intermediate Revenues	\$ 57,893,320	\$ 64,723,320	\$ 64,262,426	\$ (460,894)
5800	State Program Revenues	9,772,526	9,867,526	4,041,633	(5,825,893)
5900	Federal Program Revenues	255,000	256,000	255,518	(482)
5020	Total Revenues	<u>67,920,846</u>	<u>74,846,846</u>	<u>68,559,577</u>	<u>(6,287,269)</u>
EXPENDITURES					
Current:					
0011	Instruction	30,903,983	30,903,983	30,870,519	33,464
0012	Instructional Resources and Media Services	648,521	648,521	542,191	106,330
0013	Curriculum and Staff Development	702,101	702,101	678,909	23,192
0021	Instructional Leadership	258,597	258,597	256,746	1,851
0023	School Leadership	3,254,479	3,283,479	3,266,990	16,489
0031	Guidance, Counseling, and Evaluation Services	1,687,913	1,687,913	1,685,843	2,070
0032	Social Work Services	67,959	80,959	74,224	6,735
0033	Health Services	811,527	811,527	780,980	30,547
0034	Student Transportation	1,780,408	1,780,408	1,554,371	226,037
0035	Food Service	-	-	-	-
0036	Extracurricular Activities	1,840,276	2,161,276	2,045,690	115,586
0041	General Administration	2,080,370	2,235,370	2,117,651	117,719
0051	Plant Maintenance and Operations	6,978,545	6,978,545	6,667,112	311,433
0052	Security and Monitoring Services	419,499	436,499	421,884	14,615
0053	Data Processing Services	982,929	1,005,929	993,323	12,606
0061	Community Services	31,550	31,550	31,399	151
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	13,380,000	15,000,000	14,503,753	496,247
0095	Payments to Juvenile Justice Alternative Education Programs	67,000	84,000	73,030	10,970
0099	Other Intergovernmental Charges	556,000	556,000	493,307	62,693
6030	Total Expenditures	<u>66,451,657</u>	<u>68,646,657</u>	<u>67,057,922</u>	<u>1,588,735</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>1,469,189</u>	<u>6,200,189</u>	<u>1,501,655</u>	<u>(4,698,534)</u>
OTHER FINANCING SOURCES (USES)					
7949	State Revenue Pursuant to Tax Refund	-	1,470,000	1,469,045	(955)
8948	Tax Refund Pursuant to Texas Tax Code 313	(1,469,045)	(1,470,045)	(1,469,045)	1,000
7080	Total Other Financing Sources (Uses)	<u>(1,469,045)</u>	<u>(45)</u>	<u>-</u>	<u>45</u>
1200	Net Change in Fund Balance	144	6,200,144	1,501,655	(4,698,489)
0100	Fund Balance - Beginning	<u>31,748,854</u>	<u>31,748,854</u>	<u>31,748,854</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ 31,748,998</u>	<u>\$ 37,948,998</u>	<u>\$ 33,250,509</u>	<u>\$ (4,698,489)</u>

See accompanying notes to the required supplementary information.

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY OF A COST-SHARING MULTIPLE-EMPLOYER
PENSION PLAN
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015***

EXHIBIT G-2

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability	0.0379358%	0.0289778%
District's Proportionate Share of the Net Pension Liability	\$ 13,409,800	\$ 7,740,371
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>21,228,484</u>	<u>17,284,882</u>
Total	<u>34,638,284</u>	<u>25,025,253</u>
District's Covered-Employee Payroll	\$ 36,566,914	\$ 34,374,026
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	36.67%	22.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

* The amounts presented for the fiscal year were determined as of the Plan's fiscal year end, August 31 of the prior year.
Ten years of data is not available.

See accompanying notes to the required supplementary information.

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT CONTRIBUTIONS TO THE
 TEACHER RETIREMENT SYSTEM PENSION PLAN (TRS)
 FOR THE YEARS ENDED JUNE 30, 2016 AND 2015***

EXHIBIT G-3

	<u>2016</u>	<u>2015</u>
TRS		
Contractually Required Contributions	\$ 1,185,438	\$ 1,062,115
Contributions in Relation to the Contractually Required Contributions	<u>(1,185,438)</u>	<u>(1,062,115)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
 District's Covered-Employee Payroll	 \$ 39,298,947	 \$ 36,325,507
 Contributions as a Percentage of Covered- Employee Payroll	 3.02%	 2.92%

* The amounts presented for the fiscal year were determined as of the District's fiscal year end June 30.
 Ten years of data is not available.

See accompanying notes to the required supplementary information.

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2016**

NOTE I. BUDGET

A. Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund. The Texas Education Code requires the budget to be prepared not later than June 19 and adopted by June 30 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

The following procedures are followed in establishing the budgetary data reflected in the fund financial schedules:

1. Prior to June 19 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to July 1, the budget is formally approved and adopted by the Board.

The appropriated budget is prepared by fund and function. The District's campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year end.

B. Variances with Final Budget

The District's general fund budget differs from the original budget due to budget revisions that were made during the fiscal period:

The net increase of \$6,926,000 to estimated revenues in the final amended budget was primarily from revised estimates for certified taxable values, which caused an increase in collections.

The District's general fund budget differs significantly from actual for the following:

- The difference of \$5,825,893 in state program revenues from the final budget is a result of a large decrease in state funding factors, which occurred after the final budget, that resulted in significantly less appropriations.

C. Excess of Expenditures Over Appropriations

For the year ended June 30, 2016, expenditures exceeded appropriations in the functions (the legal level of budgetary control) of the following funds:

<u>Fund</u>	<u>Function</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
None		\$ -	\$ -	\$ -

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2016**

NOTE II. PENSION

TRS

Actuarial Assumptions – The information presented in the required supplementary schedules was used in the actuarial valuation for determining the actuarially determined contribution rate and the net pension liability in accordance with GASB 67. Actuarial methods and assumptions used for funding purposes can be found in the Actuarial Section. The GASB 67 assumptions are as follows:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term Expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Post-employment Benefit Changes	None

Changes Since the Prior Actuarial Valuation

The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

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

Mortality Assumptions

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

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

NOTE II. PENSION

Other Demographic Assumptions

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

Actuarial Methods and Policies

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

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

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SUPPLEMENTARY INFORMATION

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 JUNE 30, 2016**

<u>Data Control Codes</u>	211 ESEA Title I, Part A - Improving Basic Programs	224 IDEA-Part B Formula
ASSETS		
1110 <i>Cash and Cash Equivalents</i>	\$ -	\$ -
1240 <i>Due from Other Governments</i>	68,022	162,418
1000 Total Assets	<u>\$ 68,022</u>	<u>\$ 162,418</u>
LIABILITIES		
2110 <i>Accounts Payable</i>	\$ -	\$ 27
2150 <i>Payroll Deductions and Withholdings</i>	1,003	3,911
2160 <i>Accrued Wages Payable</i>	25,938	71,714
2170 <i>Due to Other Funds</i>	41,081	86,766
2300 <i>Unearned Revenue</i>	-	-
2000 Total Liabilities	<u>68,022</u>	<u>162,418</u>
FUND BALANCES		
3450 <i>Restricted - Grants</i>	-	-
Total Fund Balances	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 68,022</u>	<u>\$ 162,418</u>

EXHIBIT H-1

225	240	244	255 ESEA Title II, Part A: Teacher & Principal Training & Recruiting
IDEA-Part B Preschool	National School Breakfast/Lunch Program	Career and Technical Basic Grant	
\$ -	\$ 628,250	\$ -	\$ -
2,760	-	15,703	14,068
<u>\$ 2,760</u>	<u>\$ 628,250</u>	<u>\$ 15,703</u>	<u>\$ 14,068</u>
\$ -	\$ 1,486	\$ -	\$ -
293	9,039	-	619
1,500	116,929	-	8,522
967	-	15,703	4,927
-	-	-	-
<u>2,760</u>	<u>127,454</u>	<u>15,703</u>	<u>14,068</u>
-	500,796	-	-
-	500,796	-	-
<u>\$ 2,760</u>	<u>\$ 628,250</u>	<u>\$ 15,703</u>	<u>\$ 14,068</u>

Continued

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 JUNE 30, 2016**

<u>Data Control Codes</u>	263	289
	Title III, Part A English Language Acquisition and Enhancement	Title VI Summer School L.E.P.
ASSETS		
1110 <i>Cash and Cash Equivalents</i>	\$ -	\$ -
1240 <i>Due from Other Governments</i>	1,128	-
1000 Total Assets	<u>\$ 1,128</u>	<u>\$ -</u>
LIABILITIES		
2110 <i>Accounts Payable</i>	\$ -	\$ -
2150 <i>Payroll Deductions and Withholdings</i>	-	-
2160 <i>Accrued Wages Payable</i>	-	-
2170 <i>Due to Other Funds</i>	1,128	-
2300 <i>Unearned Revenue</i>	-	-
2000 Total Liabilities	<u>1,128</u>	<u>-</u>
FUND BALANCES		
3450 <i>Restricted - Grants</i>	-	-
Total Fund Balances	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 1,128</u>	<u>\$ -</u>

EXHIBIT H-1

397	404	410	Total Nonmajor Funds (See Exhibit C-1)
<u>Advanced Placement Incentives</u>	<u>Student Success Initiatives</u>	<u>State Textbook Fund</u>	
\$ 1,800	\$ 81	\$ 10,178	\$ 640,309
-	-	-	264,099
<u>\$ 1,800</u>	<u>\$ 81</u>	<u>\$ 10,178</u>	<u>\$ 904,408</u>
\$ -	\$ -	\$ -	\$ 1,513
-	-	-	14,865
-	-	-	224,603
1,800	-	-	152,372
-	-	10,178	10,178
<u>1,800</u>	<u>-</u>	<u>10,178</u>	<u>403,531</u>
-	81	-	500,877
-	81	-	500,877
<u>\$ 1,800</u>	<u>\$ 81</u>	<u>\$ 10,178</u>	<u>\$ 904,408</u>

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 FOR THE YEAR ENDED JUNE 30, 2016**

Data Control Codes	211 ESEA Title I, Part A - Improving Basic Programs	224 IDEA-Part B Formula
REVENUES		
5700 <i>Local and Intermediate Revenues</i>	\$ -	\$ -
5800 <i>State Program Revenues</i>	-	-
5900 <i>Federal Program Revenues</i>	246,916	687,589
5020 Total Revenues	<u>246,916</u>	<u>687,589</u>
EXPENDITURES		
Current:		
0011 <i>Instruction</i>	226,948	679,399
0013 <i>Curriculum and Staff Development</i>	19,968	8,190
0035 <i>Food Service</i>	-	-
6030 Total Expenditures	<u>246,916</u>	<u>687,589</u>
1200 Net Change in Fund Balances	-	-
0100 Fund Balances - Beginning	-	-
3000 Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>

EXHIBIT H-2

225	240	244	255
IDEA-Part B Preschool	National School Breakfast/Lunch Program	Career and Technical Basic Grant	ESEA Title II, Part A: Teacher & Principal Training & Recruiting
\$ -	\$ 2,188,468	\$ -	\$ -
-	58,650	-	-
<u>11,532</u>	<u>463,081</u>	<u>26,748</u>	<u>59,367</u>
<u>11,532</u>	<u>2,710,199</u>	<u>26,748</u>	<u>59,367</u>
11,532	-	26,748	59,367
-	-	-	-
-	<u>2,577,528</u>	-	-
<u>11,532</u>	<u>2,577,528</u>	<u>26,748</u>	<u>59,367</u>
-	132,671	-	-
-	368,125	-	-
<u>\$ -</u>	<u>\$ 500,796</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 FOR THE YEAR ENDED JUNE 30, 2016**

Data Control Codes	263	289
REVENUES	Title III, Part A English Language Acquisition and Enhancement	Title VI Summer School L.E.P.
5700 <i>Local and Intermediate Revenues</i>	\$ -	\$ -
5800 <i>State Program Revenues</i>	-	-
5900 <i>Federal Program Revenues</i>	10,335	1,113
5020 Total Revenues	<u>10,335</u>	<u>1,113</u>
 EXPENDITURES		
Current:		
0011 <i>Instruction</i>	9,005	1,113
0013 <i>Curriculum and Staff Development</i>	1,330	-
0035 <i>Food Service</i>	-	-
6030 Total Expenditures	<u>10,335</u>	<u>1,113</u>
1200 Net Change in Fund Balances	-	-
0100 Fund Balances - Beginning	-	-
3000 Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>

EXHIBIT H-2

397	404	410	Total Nonmajor Funds (See Exhibit C-2)
Advanced Placement Incentives	Student Success Initiatives	State Textbook Fund	
\$ -	\$ -	\$ -	\$ 2,188,468
1,800	-	887,112	947,562
-	-	-	1,506,681
<u>1,800</u>	<u>-</u>	<u>887,112</u>	<u>4,642,711</u>
-	-	887,112	1,901,224
1,800	-	-	31,288
-	-	-	2,577,528
<u>1,800</u>	<u>-</u>	<u>887,112</u>	<u>4,510,040</u>
-	-	-	132,671
-	81	-	368,206
<u>\$ -</u>	<u>\$ 81</u>	<u>\$ -</u>	<u>\$ 500,877</u>

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Year Ended June 30</u>	<u>Tax Rates</u>		<u>3 Assessed/Appraised Value For School Tax Purposes</u>
	<u>1</u>	<u>2</u>	
	<u>Maintenance</u>	<u>Debt Service</u>	
2007 and Prior Years	\$ Various	\$ Various	\$ Various
2008	1.0400	.2899	2,897,453,267
2009	1.0601	.2698	3,245,583,126
2010	1.0601	.2698	2,886,732,837
2011	1.0601	.2698	2,788,955,260
2012	1.0600	.2698	3,262,025,643
2013	1.0600	.2698	3,947,441,269
2014	1.0600	.2698	4,055,523,537
2015	1.0600	.2698	4,805,775,079
2016 (School Year Under Audit)	1.0600	.2698	5,586,723,191

1000 Totals

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

EXHIBIT J-1

10 Beginning Balance 7/1/15	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/16
\$ 1,073,998	\$ -	\$ 6,729	\$ 1,228	\$ (23,258)	\$ 1,042,783
27,193	-	2,588	722	(119)	23,764
50,169	-	3,160	805	(124)	46,080
58,231	-	2,980	758	(86)	54,407
45,616	-	2,318	590	(513)	42,195
49,936	-	5,137	1,307	(4,158)	39,334
62,632	-	12,459	3,172	(4,190)	42,811
212,814	-	123,290	31,383	(4,809)	53,332
673,572	-	357,404	90,976	(30,553)	194,639
-	74,292,245	53,621,116	17,016,578	(1,195,706)	2,458,845
\$ 2,254,161	\$ 74,292,245	\$ 54,137,181	\$ 17,147,519	\$ (1,263,516)	\$ 3,998,190
		\$ -	\$ -		

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
FOR THE YEAR ENDED JUNE 30, 2016**

EXHIBIT J-2

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual		
REVENUES					
5700	<i>Local and Intermediate Revenues</i>	\$ 2,063,000	\$ 2,191,000	\$ 2,188,468	\$ (2,532)
5800	<i>State Program Revenues</i>	6,000	66,000	58,650	(7,350)
5900	<i>Federal Program Revenues</i>	395,000	474,000	463,081	(10,919)
5020	Total Revenues	<u>2,464,000</u>	<u>2,731,000</u>	<u>2,710,199</u>	<u>(20,801)</u>
EXPENDITURES.					
Current:					
Support Services - Student (Pupil):					
0035	<i>Food Service</i>	<u>2,590,368</u>	<u>2,590,368</u>	<u>2,577,528</u>	<u>12,840</u>
	Total Support Services - Student (Pupil)	<u>2,590,368</u>	<u>2,590,368</u>	<u>2,577,528</u>	<u>12,840</u>
6030	Total Expenditures	<u>2,590,368</u>	<u>2,590,368</u>	<u>2,577,528</u>	<u>12,840</u>
1200	Net Change in Fund Balance	(126,368)	140,632	132,671	(7,961)
0100	Fund Balance - Beginning	<u>368,125</u>	<u>368,125</u>	<u>368,125</u>	<u>-</u>
3000	Fund Balance - Ending	<u><u>\$ 241,757</u></u>	<u><u>\$ 508,757</u></u>	<u><u>\$ 500,796</u></u>	<u><u>\$ (7,961)</u></u>

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2016**

EXHIBIT J-3

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual		
REVENUES					
5700	Local and Intermediate Revenues	\$ 15,765,442	\$ 17,758,442	\$ 17,359,592	\$ (398,850)
5800	State Program Revenues	-	122,000	124,509	2,509
5020	Total Revenues	<u>15,765,442</u>	<u>17,880,442</u>	<u>17,484,101</u>	<u>(396,341)</u>
EXPENDITURES					
Debt Service:					
0071	Principal on Long-term Debt	8,225,000	8,225,000	8,225,000	-
0072	Interest on Long-term Debt	8,257,645	8,257,645	8,257,645	-
0073	Issuance Costs and Fees	449,139	449,139	170,293	278,846
	Total Debt Service	<u>16,931,784</u>	<u>16,931,784</u>	<u>16,652,938</u>	<u>278,846</u>
6030	Total Expenditures	<u>16,931,784</u>	<u>16,931,784</u>	<u>16,652,938</u>	<u>278,846</u>
1100	Excess (Deficiency) of Revenues Over				
1100	(Under) Expenditures	<u>(1,166,342)</u>	<u>948,658</u>	<u>831,163</u>	<u>(117,495)</u>
OTHER FINANCING SOURCES (USES)					
7901	Refunding Bonds Issued	-	8,845,520	8,845,000	(520)
7916	Premium or Discount on Issuance of Bonds	-	1,116,480	1,116,480	-
8940	Payment to Refunded Bonds Escrow Agent	-	(9,800,000)	(9,799,567)	433
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>162,000</u>	<u>161,913</u>	<u>(87)</u>
1200	Net Change in Fund Balance	(1,166,342)	1,110,658	993,076	(117,582)
0100	Fund Balance - Beginning	<u>7,974,344</u>	<u>7,974,344</u>	<u>7,974,344</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ 6,808,002</u>	<u>\$ 9,085,002</u>	<u>\$ 8,967,420</u>	<u>\$ (117,582)</u>

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**OVERALL COMPLIANCE, INTERNAL CONTROL SECTION
AND FEDERAL AWARDS**



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Trustees of
Barbers Hill Independent School District
P.O. Box 1108
Mont Belvieu, Texas 77580

We have audited, 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, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Barbers Hill Independent School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 16, 2016.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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.

The Board of Trustees of
Barbers Hill Independent School District
September 16, 2016

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Compliance and Other Matters

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

Purpose of this Report

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

Yours truly,

Weaver and Tidwell, L.L.P.

Weaver and Tidwell, L.L.P.

Conroe, Texas
September 16, 2016



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

The Board of Trustees of
Barbers Hill Independent School District
P.O. Box 1108
Mont Belvieu, Texas 77580

Report on Compliance for Each Major Federal Program

We have audited Barbers Hill Independent School District's (District) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

The Board of Trustees of
Barbers Hill Independent School District
September 16, 2016

Page 2

Report on Internal Control over Compliance

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

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

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Yours truly,

Weaver and Tidwell, L.L.P.

Weaver and Tidwell, L.L.P.

Conroe, Texas
September 16, 2016

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**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

SECTION I – SUMMARY OF AUDITORS’ RESULTS	
FINANCIAL STATEMENTS	
1. Type of auditors’ report issued	Unmodified
2. Internal Control over Financial Reporting:	
a. Material Weakness(es) identified?	No
b. Significant Deficiency(ies) identified that are not considered to be material weaknesses?	None reported
3. Noncompliance material to Financial Statements noted?	No
FEDERAL AWARDS	
4. Internal control over major programs:	
a. Material Weakness(es) identified?	No
b. Significant Deficiency(ies) identified that are not considered to be material weaknesses?	None reported
5. Type of auditors’ report issued on compliance with major programs	Unmodified
6. Any Audit Findings Disclosed that are Required to be Reported in Accordance with Uniform Guidance	No
7. Identification of Major Programs	Child Nutrition Cluster 10.553 and 10.555
8. Dollar Threshold Used to Distinguish Between Type A and Type B Federal Programs	\$750,000
9. Auditee Qualified as a Low-Risk Auditee?	Yes
SECTION II –FINANCIAL STATEMENT FINDINGS	
None reported	
SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS	
None reported	

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

<i>PRIOR YEAR FINDINGS</i>
None reported

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2016**

CURRENT YEAR FINDINGS

None reported

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

EXHIBIT K-1

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION:			
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010A	15610101036902	\$ 1,356
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010A	16610101036902	245,560
Total Program 84.010A			246,916
Special Education Cluster (IDEA):			
<i>IDEA - Part B Formula</i>	84.027A	156600010369026600	9,828
<i>IDEA - Part B Formula</i>	84.027A	166600010369026600	677,761
<i>IDEA - Part B Preschool</i>	84.173A	156610010369026610	73
<i>IDEA - Part B Preschool</i>	84.173A	166610010369026610	11,459
Total Special Education Cluster (IDEA)			699,121
<i>Carl D. Perkins Basic Formula Grant</i>	84.048A	16420006036902	26,748
<i>Title III Part A English Language Acquisition and Language Enhancement</i>	84.365A	15671001036902	2,467
<i>Title III Part A English Language Acquisition and Language Enhancement</i>	84.365A	16671001036902	7,868
			10,335
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367A	15694501036902	418
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367A	16694501036902	58,949
Total Program 84.367A			59,367
<i>Title VI, Part A, Summer School LEP</i>	84.369A	69551502	1,113
TOTAL U.S. DEPARTMENT OF EDUCATION			1,043,600
U.S. DEPARTMENT OF AGRICULTURE:			
Child Nutrition Cluster:			
Passed Through State Department of Agriculture - Non Cash Assistance:			
<i>National School Lunch Program</i>	10.555	00174	78,109
Passed Through State Department of Education - Cash Assistance:			
<i>School Breakfast Program</i>	10.553	71401601	99,194
<i>National School Lunch Program</i>	10.555	71301601	284,278
Total Child Nutrition Cluster			461,581
Passed Through State Department of Agriculture - Cash Assistance:			
<i>NSLP Training Assistance Grant</i>	10.560	00174	1,500
TOTAL U.S. DEPARTMENT OF AGRICULTURE			463,081
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,506,681

The accompanying notes are an integral part of this schedule.

**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016**

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Barbers Hill 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 the Single Audit Act Amendments of 1996 and *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Presented below is a reconciliation of federal revenues:

<i>Total Expenditures of Federal Awards per Exhibit K-1</i>	\$ 1,506,681
General Fund - Federal Revenue	
Interest Subsidy on QSCB	255,518
<i>Total Federal Revenues per Exhibit C-2</i>	<u>\$ 1,762,199</u>

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**BARBERS HILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO
SELECTED SCHOOL FIRST INDICATORS
AS OF JUNE 30, 2016**

EXHIBIT L-1

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement 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 government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end?	\$ -
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 13,409,800
SF13	Pension Expense (6147) at fiscal year-end, excluding On-Behalf Pension Expense (6144).	\$ (491,665)