

BLUM

INDEPENDENT SCHOOL DISTRICT

Home of the



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
AUGUST 31, 2016

PB&H

PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

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CERTIFICATE OF BOARD

Blum Independent School District
Name of School District

Hill
County

109913
Co.-Dist.Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2016, at a meeting of the Board of Trustees of such school district on the 12th day of December, 2016.

Signature of Board Secretary

Signature of Board President

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



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Blum Independent School District
Blum, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Blum Independent School District as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the Blum Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison and pension information on pages 5 – 9 and 36 – 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Blum Independent School District's basic financial statements. The combining nonmajor fund financial statements and required TEA schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and required TEA schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 combining nonmajor fund financial statements and required TEA schedules 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 December 6, 2016, on our consideration of the Blum 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 Blum Independent School District's internal control over financial reporting and compliance.

Hillsboro, Texas
December 6, 2016

**BLUM INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016**

Our discussion and analysis of Blum Independent School District's financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2016. Please read it in conjunction with the District's financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$4,137,529 (*net position*). Of this amount, \$2,886,276 (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased by \$352,738.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,184,172, a decrease of \$179,818 in comparison with the prior year. This decrease is less than the prior year's increase due to decreased local and federal revenues offset slightly by increased state revenues and increased expenditures in instruction, guidance, counseling, and evaluation services, food service, general administration, facilities maintenance and operations, data processing, principal on long-term debt, bond issuance cost and fees, capital outlay, and payments related to shared services arrangements.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,200,098 or 52.98% of total General Fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 10 and 11). These provide information about the activities of the District as a whole and present a long-term view of the District's property and obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 12) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the government.

The notes to the financial statements (starting on page 18) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. The sections labeled TEA Required Schedules and Compliance Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 10. Its primary objective is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred inflows/outflows of resources and liabilities while the Statement of Activities includes all the revenue and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by most private sector companies.

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

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

In the Statement of Net Position and the Statement of Activities, the District has the following activity:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The Fund financial statements begin on page 12 and provide detailed information about the most significant funds – not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under ESEA Title I from the U. S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District incorporates one kind of fund – governmental funds.

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

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position on page 16. We exclude these resources from the District's other financial statements because the District cannot use them to support its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental activities.

Net position of the District's governmental activities increased from \$3,784,791 to \$4,137,529. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$2,886,276 and \$3,066,874 at August 31, 2016 and 2015, respectively.

TABLE 1
BLUM INDEPENDENT SCHOOL DISTRICT
NET POSITION

	Governmental Activities	
	2016	2015
Current and other assets	\$ 3,500,375	\$ 3,617,671
Capital assets	<u>3,667,361</u>	<u>3,449,324</u>
Total assets	<u>7,167,736</u>	<u>7,066,995</u>
Total deferred outflows of resources	<u>403,335</u>	<u>68,215</u>
Long-term liabilities	3,168,165	3,102,127
Other liabilities	<u>219,233</u>	<u>186,518</u>
Total liabilities	<u>3,387,398</u>	<u>3,288,645</u>
Total deferred inflows of resources	<u>46,144</u>	<u>61,774</u>
Net position:		
Net investment in capital assets	1,119,565	554,107
Restricted	131,688	163,810
Unrestricted	<u>2,886,276</u>	<u>3,066,874</u>
Total net position	<u>\$ 4,137,529</u>	<u>\$ 3,784,791</u>

TABLE 2
BLUM INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET POSITION

	Governmental Activities	
	2016	2015
REVENUE:		
Program revenue:		
Charges for services	\$ 74,521	\$ 70,902
Operating grants and contributions	719,242	700,752
General revenue:		
Property taxes	1,566,056	1,645,531
Grants and contributions not restricted	2,489,236	2,454,405
Investment earnings	1,186	1,260
Miscellaneous local and intermediate	171,649	41,897
Total Revenue	<u>5,021,890</u>	<u>4,914,747</u>
EXPENSES:		
Instruction	2,352,975	2,210,891
Instructional resources and media services	70,446	56,446
Curriculum and staff development	24,333	19,288
School leadership	300,213	275,027
Guidance, counseling and evaluation services	66,462	18,109
Health services	53,032	47,780
Student (pupil) transportation	198,309	174,365
Food services	273,329	248,036
Extracurricular activities	139,840	127,992
General administration	255,789	212,348
Facilities Maintenance and operations	477,312	428,625
Data processing services	27,144	47,996
Debt service - interest on long-term debt	91,584	95,950
Debt service - bond issuance costs and fees	80,059	3,962
Capital outlay	8,077	9,079
Payments to fiscal agents/member districts of SSA	201,491	284,423
Other intergovernmental charges	48,757	47,118
Total Expenses	<u>4,669,152</u>	<u>4,307,435</u>
INCREASE IN NET POSITION	352,738	607,312
NET POSITION, BEGINNING	3,784,791	3,450,788
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>(273,309)</u>
NET POSITION, END	<u>\$ 4,137,529</u>	<u>\$ 3,784,791</u>

Governmental activities increased the District's net position by \$352,738. This was mainly due to an increase in miscellaneous local and intermediate (\$129 thousand), operating grants and contributions (\$18 thousand), and unrestricted operating grants and contributions (\$34 thousand) offset by a decrease in revenues due to a 2015-16 school year decrease in property taxes (\$79 thousand). There was an increase in total expenses (\$361 thousand). For the most part, the increase in expenses was primarily due to increases in instruction, school leadership, guidance, counseling, and evaluation services, food services, general administration, facilities maintenance and operations, and debt service – bond issuance costs and fees.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$3,184,172, which is less than last year's total of \$3,363,990. Included in this year's total change in fund balance is a decrease of \$139,053 in the District's General Fund. This decrease is less than the prior year increase of \$356,839. The primary reason for this result is a decrease in local and intermediate revenue and federal program revenues along with increases in instruction, guidance, counseling, and evaluation services, general administrations, facilities maintenance and operations, principal on long-term debt, and capital outlay expenditures. Also included is a decrease of \$35,793 in the District's Debt Service Fund. This is below the prior year increase due to a decrease in local and intermediate revenue.

Over the course of the year, the Board of Trustees amended the District's General Fund budget several times. The primary budget amendments for the year were to budget for increased expenditures in instruction, extracurricular activities, and capital outlay. The difference between the original and final budgeted expenditures was an increase of \$1,625,207.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the District had approximately \$3.67 million invested in a broad range of capital assets, including instructional facilities and equipment, transportation facilities and equipment, athletic facilities, and administrative and maintenance buildings and equipment. The District's major additions included a Suburban, a digital sign, carpeting, point of sale system and software for cafeteria, and construction in progress on the practice gym and locker rooms. Additional information on the District's capital assets can be found in Note II, page 26 of this report.

Debt

At year-end, the District had \$2.34 million in bonds and notes outstanding versus \$2.75 million last year – a decrease of 14.9%. This decrease in debt resulted from the refunding of \$2,180,000 in bonds offset by the issuance of \$2,055,000 in new bonds and by debt service payments of \$289,243 offset by the new bus note. Additional information on the District's long-term debt can be found in Note II, pages 26 – 28 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2017 budget and tax rates. One of the main factors was the economic environment in which the district is operating. Much of the district's local tax base is dependent on the natural gas market. Natural gas is at historic lows and the district is seeing a decrease in local tax revenue due to that situation. Another factor is the size of the student population. The district has seen only modest gains in student population during the 2015-2016 school year and state funding for the district has been negatively affected by that situation.

The District is focusing on maximizing revenue and limiting expenditures to increase their fund balances and net assets.

Due to the conditions listed above, the District's budgetary General Fund balance is expected to have no increase during the 2016-2017 school year. The district will attempt to maintain its excellent record of academic achievement despite decreased state and local funding and in the face of increased unfunded mandates.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Administration office, at P.O. Box 520, Blum, Texas 76627.

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

Data Control Codes		Governmental Activities
ASSETS		
1110	Cash and cash equivalents	\$ 3,254,683
1220	Property taxes receivables (delinquent)	112,837
1230	Allowance for uncollectible taxes	(28,209)
1240	Due from other governments	129,881
1267	Due from fiduciary funds	1,864
1290	Other receivables	29,319
	Capital assets:	
1510	Land	59,292
1520	Buildings and improvements, net	2,969,908
1530	Furniture and equipment, net	303,758
1580	Construction in progress	<u>334,403</u>
1000	Total assets	<u>7,167,736</u>
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred outflow related to resources	<u>403,335</u>
1700	Total deferred outflows of resources	<u>403,335</u>
LIABILITIES		
2110	Accounts payable	19,398
2140	Interest payable	9,705
2160	Accrued wages payable	139,460
2180	Due to other governments	45,719
2200	Accrued expenses	2,851
2300	Unearned revenue	2,100
	Noncurrent liabilities:	
2501	Due within one year	303,952
2502	Due in more than one year	<u>2,864,213</u>
2000	Total liabilities	<u>3,387,398</u>
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred inflow related to TRS	<u>46,144</u>
2600	Total deferred inflows of resources	<u>46,144</u>
NET POSITION		
3200	Net investment in capital assets	1,119,565
	Restricted for:	
3850	Debt service	131,688
3900	Unrestricted	<u>2,886,276</u>
3000	Total net position	<u>\$ 4,137,529</u>

The accompanying notes are an integral part of this financial statement.

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

Data Control Codes	1 Functions/Programs	Program Revenues		Net (Expenses) Revenue and Changes in Net Position	
		3 Charges for Services	4 Operating Grants and Contributions	6 Primary Government Governmental Activities	
	Expenses				
Primary government:					
Governmental activities:					
11	Instruction	\$ 2,352,975	\$ 4,442	\$ 380,616	\$(1,967,917)
12	Instructional resources and media services	70,446	-	4,665	(65,781)
13	Curriculum and staff development	24,333	-	22,288	(2,045)
23	School leadership	300,213	-	24,105	(276,108)
31	Guidance, counseling, and evaluation services	66,462	-	6,303	(60,159)
33	Health services	53,032	-	-	(53,032)
34	Student transportation	198,309	-	33,510	(164,799)
35	Food service	273,329	59,025	152,445	(61,859)
36	Extracurricular activities	139,840	11,054	4,004	(124,782)
41	General administration	255,789	-	10,186	(245,603)
51	Facilities maintenance and operations	477,312	-	14,883	(462,429)
53	Data processing services	27,144	-	2,837	(24,307)
72	Interest on long-term debt	91,584	-	32,373	(59,211)
73	Bond issuance costs and fees	80,059	-	-	(80,059)
81	Capital outlay	8,077	-	-	(8,077)
93	Payments related to shared services arrangements	201,491	-	31,027	(170,464)
99	Other governmental changes	48,757	-	-	(48,757)
	[TP] Total primary government	\$ 4,669,152	\$ 74,521	\$ 719,242	(3,875,389)
Data Control Codes					
General revenues:					
Taxes:					
MT	Property taxes, levied for general purposes				1,355,371
DT	Property taxes, levied for debt service				210,685
GC	Grants and contributions not restricted				2,489,236
IE	Investment earnings				1,186
MI	Miscellaneous				171,649
TR	Total general revenues and transfers				4,228,127
CN	Change in net position				352,738
NB	Net position, beginning				3,784,791
NE	Net position, ending				\$ 4,137,529

The accompanying notes are an integral part of this financial statement.

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

Data Control Codes	10 <u>General</u>	50 Debt Service Fund	Other Governmental	98 Total Governmental Funds	
ASSETS					
1110	Cash and cash equivalents	\$ 3,017,800	\$ 187,530	\$ 49,353	\$ 3,254,683
1220	Property taxes, delinquent	99,603	13,234	-	112,837
1230	Allowance for uncollectible taxes	(24,900)	(3,309)	-	(28,209)
1240	Due from other governments	97,312	-	32,569	129,881
1260	Due from other funds	127,024	-	2,279	129,303
1290	Other receivables	25,358	3,961	-	29,319
1000	Total assets	<u>\$ 3,342,197</u>	<u>\$ 201,416</u>	<u>\$ 84,201</u>	<u>\$ 3,627,814</u>
LIABILITIES AND FUND BALANCES					
2110	Accounts payable	\$ 18,383	\$ -	\$ 1,015	\$ 19,398
2140	Interest payable	-	1,664	-	1,664
2160	Accrued wages payable	130,203	-	9,257	139,460
2170	Due to other funds	2,279	53,768	71,392	127,439
2180	Due to other governments	39,464	6,255	-	45,719
2200	Accrued expenditures/expenses	2,414	-	437	2,851
2300	Unearned revenue	-	-	2,100	2,100
2000	Total liabilities	<u>192,743</u>	<u>61,687</u>	<u>84,201</u>	<u>338,631</u>
DEFERRED INFLOWS OF RESOURCES					
2600	Unavailable revenue-property taxes	92,285	12,726	-	105,011
	Total deferred inflows of resources	<u>92,285</u>	<u>12,726</u>	<u>-</u>	<u>105,011</u>
Fund balances:					
Restricted:					
3480	Debt service	-	127,003	-	127,003
Assigned:					
3550	Assigned - construction	857,071	-	-	857,071
3600	Unassigned	2,200,098	-	-	2,200,098
3000	Total fund balances	<u>3,057,169</u>	<u>127,003</u>	<u>-</u>	<u>3,184,172</u>
4000	Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,342,197</u>	<u>\$ 201,416</u>	<u>\$ 84,201</u>	<u>\$ 3,627,814</u>

The accompanying notes are an integral part of this financial statement.

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

Total Fund Balances - Governmental Funds	\$	3,184,172
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		3,667,361
2 Uncollected property taxes are reported as unavailable resources in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.		105,011
3 Long-term liabilities, including bonds and loans payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,547,796)
4 Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(8,041)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability in the amount of \$620,369, a deferred resource inflow related to TRS in the amount of \$46,144, and a deferred resource outflow related to TRS in the amount of \$403,335.		<u>263,178</u>)
19 Net position of governmental activities	\$	<u><u>4,137,529</u></u>

The accompanying notes are an integral part of this financial statement.

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

Data Control Codes	10	50 Debt Service Fund	Other Governmental	98 Total Governmental Funds	
	General				
REVENUES					
5700	Local and intermediate sources	\$ 1,383,434	\$ 206,426	\$ 59,074	\$ 1,648,934
5800	State program revenues	2,636,621	32,373	76,798	2,745,792
5900	Federal program revenues	60,046	-	313,625	373,671
5020	Total revenues	<u>4,080,101</u>	<u>238,799</u>	<u>449,497</u>	<u>4,768,397</u>
EXPENDITURES					
0011	Instruction	1,958,967	-	194,259	2,153,226
0012	Instructional resources and media services	67,809	-	-	67,809
0013	Curriculum and staff development	2,060	-	22,273	24,333
0023	School leadership	284,511	-	-	284,511
0031	Guidance, counseling, and evaluation services	62,978	-	-	62,978
0033	Health services	53,032	-	-	53,032
0034	Student transportation	169,451	-	24,667	194,118
0035	Food service	-	-	274,582	274,582
0036	Extracurricular activities	109,076	-	-	109,076
0041	General administration	246,928	-	-	246,928
0051	Facilities maintenance and operations	457,785	-	4,974	462,759
0053	Data processing services	25,634	-	-	25,634
	Debt service:				
0071	Principal on long-term debt	109,243	180,000	-	289,243
0072	Interest on long-term debt	5,530	95,335	-	100,865
0073	Bond issuance costs and fees	-	80,059	-	80,059
	Capital outlay:				
0081	Capital outlay	349,616	-	-	349,616
	Intergovernmental:				
0093	Payments related to shared services arrangements	201,491	-	-	201,491
0099	Other intergovernmental charges	48,757	-	-	48,757
6030	Total expenditures	<u>4,152,868</u>	<u>355,394</u>	<u>520,755</u>	<u>5,029,017</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(72,767)</u>	<u>(116,595)</u>	<u>(71,258)</u>	<u>(260,620)</u>
OTHER FINANCING SOURCES (USES)					
7911	Capital-related debt issued	-	2,055,000	-	2,055,000
7915	Transfers in	-	-	66,286	66,286
7916	Premium or discount on issuance of bonds	-	211,187	-	211,187
8911	Transfers out	(66,286)	-	-	(66,286)
8949	Payment to bond refunding escrow agent	-	(2,185,385)	-	(2,185,385)
7080	Total other financing sources (uses)	<u>(66,286)</u>	<u>80,802</u>	<u>66,286</u>	<u>80,802</u>
1200	NET CHANGE IN FUND BALANCES	<u>(139,053)</u>	<u>(35,793)</u>	<u>(4,972)</u>	<u>(179,818)</u>
0100	FUND BALANCES, BEGINNING	<u>3,196,222</u>	<u>162,796</u>	<u>4,972</u>	<u>3,363,990</u>
3000	FUND BALANCES, ENDING	<u>\$ 3,057,169</u>	<u>\$ 127,003</u>	<u>\$ -</u>	<u>\$ 3,184,172</u>

The accompanying notes are an integral part of this financial statement.

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

Net change in fund balances - total governmental funds	\$(179,818)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	218,037
<p>Property tax revenues that do not provide current financial resources are not reported as revenues in the funds.</p>	30,482
<p>Bond and loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments.</p>	352,393
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>	(675)
<p>Certain pension expenditures are de-expended in the government-wide financial statements and recorded as deferred resource outflows. These contributions made after the measurement date of August 31, 2015, caused the change in the ending net position to increase in the amount of \$55,059. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in the net pension liability for the District. This caused a decrease in the change in net position totaling \$51,966. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$70,774. The net result is to decrease the change in net position by \$67,681.</p>	(67,681)
Change in net position of governmental activities	<u>\$ 352,738</u>

The accompanying notes are an integral part of this financial statement.

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

	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ <u>62,548</u>	\$ <u>59,836</u>
Total assets	<u>62,548</u>	<u>59,836</u>
LIABILITIES		
Due to other funds	-	1,864
Due to student groups	<u>-</u>	<u>57,972</u>
Total liabilities	<u>-</u>	<u>59,836</u>
NET POSITION		
Unrestricted net position	<u>62,548</u>	<u>-</u>
Total net position	<u>\$ 62,548</u>	<u>\$ -</u>

The accompanying notes are an integral part of this financial statement.

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

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Local and Intermediate Sources	\$ <u>2,012</u>
Total Additions	<u>2,012</u>
DEDUCTIONS	
Other Operating Costs	<u>1,000</u>
Total Deductions	<u>1,000</u>
NET CHANGE IN NET POSITION	1,012
TOTAL NET POSITION, BEGINNING	<u>61,536</u>
TOTAL NET POSITION, ENDING	\$ <u><u>62,548</u></u>

The accompanying notes are an integral part of this financial statement.

BLUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Blum Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the “Board”) elected by registered voters of the District. The Board of Trustees (the “Board”) is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. There are no component units included within the reporting entity. The District prepares its basic financial statements in conformity with generally accepted accounting principles and it complies with the requirements of the appropriate version of Texas Education Agency’s *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

B. Government-wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Blum Independent School District’s nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenue.

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

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements. Revenue is 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 revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the “susceptible to accrual” concept, that is, when they are both measurable and available. The District considers them “available” if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

The agency fund has no measurement focus, but utilizes the accrual basis of accounting for reporting assets and liabilities.

D. Fund Accounting

The District reports the following major governmental funds:

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

The **Debt Service Fund** accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, the government reports the following fund types:

Special Revenue Funds account for resources restricted to, or designated for, specific purposes by a grantor. Some Federal and State financial assistance is accounted for in a *Special Revenue Fund*, and sometimes unused balances must be returned to the grantor at the close of specific project periods.

The **Capital Projects Fund** is used to account for the construction of capital assets.

Agency Funds account for resources held for others in a custodial capacity. The District’s *Agency Fund* is the Activity Account.

The **Private Purpose Trust Fund** accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District’s programs. The District’s non-major Permanent Fund is the Angie Tubbs Scholarship Fund.

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

Deposits and Investments

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

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property taxes are levied as of October 1 on property values assessed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the following year in which imposed. On January 31 of each year, a tax lien attaches to property to secure payment of all taxes, penalties, and interest ultimately imposed.

Tax collections are prorated between the General Fund and Debt Service Fund based on the tax rate approved by the Board. For the year ended August 31, 2016, the rates were \$1.1700 and \$0.1804, respectively, per \$100 of assessed value.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Capital Assets

Capital assets, which include land, buildings, furniture and equipment, are reported in the government-wide financial statements. 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Vehicles	5
Furniture and equipment	5 - 15

Compensated Absences

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

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. It is deferred outflow related to TRS reported in the government-wide statement of net position. This TRS related item represents the District's share of the unrecognized plan deferred outflow of resources which TRS uses in calculating the ending net pension liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of inflows that qualify for reporting in this category. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also recognizes their share of the unrecognized TRS plan deferred inflows of resources which TRS uses in calculating the ending net pension liability in the government-wide statement of net position.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the School Board, the District's highest level of decision making authority. These amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or Superintendent.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

Pensions

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

Net Position

Net positions represent the difference between assets, deferred inflows/outflows of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond and 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 applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (the total of committed, assigned, and unassigned fund balance) and unrestricted 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.

Data Control Codes

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The amount of state foundation revenue a school district earns for a year can and does vary until the time final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimates as of August 31, 2016, will change.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U. S. Treasury, certain U. S. Agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) Mutual Funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. As of August 31, 2016, the District's deposit balance was collateralized with securities held by the pledging financial institution in the District's name and covered by FDIC insurance. In addition, the District's highest deposit balance occurred in February 2016 and was entirely covered by FDIC insurance or securities held by the pledging financial institution.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's investments of \$2,428,425 are registered, therefore, it does not have any custodial credit risk exposure.

Interest Rate Risk

In accordance with the District's investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The District's investment policy requires that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity or specific user.

Credit Risk

It is the District's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The District's investments in money market funds are rated AAAM by Standard & Poor's and Aaa by Moody's Investors Service.

As of August 31, 2016, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Wells Fargo Money Market Fund	2,428,425	28
	<u>\$ 2,428,425</u>	

Public Funds Investment Pools

Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one-half of one percent of the value of its shares.

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

B. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2016, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

<u>Fund</u>	<u>State Entitlement</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$ 97,312	\$ -	\$ 97,312
Non-Major Funds	<u>18,206</u>	<u>14,363</u>	<u>32,569</u>
Total Entitlements	<u>\$ 115,518</u>	<u>\$ 14,363</u>	<u>\$ 129,881</u>

C. Interfund Receivables and Payables and Transfers

Interfund balances at August 31, 2016, consisted of the following individual fund balances:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Non-major Funds	\$ 71,392	Cover Expenditures
General Fund	Agency Fund	1,864	Excess transferred
General Fund	Debt Service Fund	53,768	Cover Expenditures
Non-major Funds	General Fund	<u>2,279</u>	Cover Expenditures
Total		<u>\$ 129,303</u>	

Interfund transfers at August 31, 2016 consisted of the following individual fund balances

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Reason</u>
General	Non-major funds	\$ <u>66,286</u>	Cover expenditures
		<u>\$ 66,286</u>	

D. Capital Assets

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

	Balance 09/01/15	Additions	Deletions	Balance 08/31/16
Land	\$ 50,766	\$ 8,526	\$ -	\$ 59,292
Buildings	5,139,114	7,062	-	5,146,176
Furniture and equipment	909,271	58,086	-	967,357
Construction-In-Progress	-	334,403	-	334,403
Totals at Historical Cost	<u>6,099,151</u>	<u>408,077</u>	<u>-</u>	<u>6,507,228</u>
Less accumulated depreciation for:				
Buildings	(2,042,378)	(133,890)	-	(2,176,268)
Furniture and equipment	(607,449)	(56,150)	-	(663,599)
Total Accumulated Depreciation	<u>(2,649,827)</u>	<u>(190,040)</u>	<u>-</u>	<u>(2,839,867)</u>
Capital Assets, Net	<u>\$ 3,449,324</u>	<u>\$ 218,037</u>	<u>\$ -</u>	<u>\$ 3,667,361</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 94,577
Student transportation	39,595
Cocurricular/extracurricular activities	28,343
General administration	3,090
Plant maintenance and operations	15,983
Facilities acquisition and construction	<u>8,452</u>
Total Depreciation Expense	<u>\$ 190,040</u>

E. Deferred Outflows and Inflows of Resources

At year-end the District reported deferred inflows for the following:

	General Fund	Debt Service Fund
Unavailable - property taxes	\$ <u>92,285</u>	\$ <u>12,726</u>
Totals	<u>\$ 92,285</u>	<u>\$ 12,726</u>

F. Long-term Debt

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

A summary of changes in general long-term debt for the year ended August 31, 2016, is as follows:

Description	Interest	Amounts	Interest	Beginning	Additions	Reductions	Refundings	Ending	Amounts
	Rate	Original	Current	Balance				Balance	Due in
	Payable	Issue	Year	09/01/15				08/31/16	One Year
Blum ISD									
Series 2007	3.90- 4.20%	\$ 2,974,841	\$ 95,335	\$ 2,360,000	\$ -	\$ 180,000	\$ 2,180,000	\$ -	-
Premium on									
Series 2007		-	-	149,337	-	9,956	139,381	-	-
Blum ISD									
Series 2016	2.0- 3.0%	2,055,000	-	-	2,055,000	-	-	2,055,000	195,000
Premium on									
Series 2016		-	-	-	211,187	-	-	211,187	-
Net Pension Liability		-	-	201,938	470,397	51,966	-	620,369	-
			\$ 95,335	\$ 2,711,275	\$ 2,736,584	\$ 241,922	\$ 2,319,381	\$ 2,886,556	\$ -

Debt service requirements are as follows:

Year Ending August 31,	General Obligations		Total Requirements
	Principal	Interest	
2017	\$ 195,000	\$ 59,900	\$ 254,900
2018	200,000	56,000	256,000
2019	200,000	52,000	252,000
2020	140,000	48,000	188,000
2021	145,000	45,200	190,200
2022-2026	785,000	158,950	943,950
2027-2031	390,000	33,000	423,000
Total	\$ 2,055,000	\$ 453,050	\$ 2,508,050

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2016

Current Refunding of Debt

The District issued \$2,055,000 of unlimited tax refunding bonds, series 2016, to provide resources to refund \$2,180,000 Unlimited Tax School Building and Refunding Bonds, Series 2007. The net proceeds of \$2,185,386 were deposited in trust with an escrow agent to provide for the redemption of the bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$5,386. This amount is reported as an expense. This refunding was undertaken to decrease total debt service payments over 14 years by \$283,415 and resulted in an economic gain of \$255,906.

Notes Payable

The District entered into a Note Payable agreement in May 2013 for an Education Technology Project. The note has an interest rate of 2% and is payable in equal annual installments over 5 years.

The District entered into a Note Payable agreement in December 2013 for a Lighting Upgrade Project. The note has an interest rate of 2.5% and is payable in equal annual installments over 3 years.

The District entered into a Note Payable agreement in March 2015 for the purchase of 2 buses. The note has an interest rate of 2.4% and is payable in equal annual installments over 5 years.

Long-term activity for the year ended August 31, 2016, was as follows:

	Amounts Outstanding 09/01/15	Issued	Retired	Outstanding 08/31/16	Interest	Amounts Due Within One Year
Education Technology Note	\$ 184,899	\$ -	\$ 60,553	\$ 124,346	\$ 3,235	\$ 61,655
Lighting Upgrade Note	24,255	-	11,920	12,335	623	12,335
Bus Note	181,698	-	36,770	144,928	1,672	34,962
Total	<u>\$ 390,852</u>	<u>\$ -</u>	<u>\$ 109,243</u>	<u>\$ 281,609</u>	<u>\$ 5,530</u>	<u>\$ 108,952</u>

Note Payable requirements are as follows:

Year Ending August 31,	Note Payable		Total Requirements
	Principal	Interest	
2017	\$ 108,952	\$ 5,961	\$ 114,913
2018	98,492	3,737	102,229
2019	36,661	1,781	38,442
2020	37,504	901	38,405
Total	<u>\$ 281,609</u>	<u>\$ 12,380</u>	<u>\$ 293,989</u>

G. Defined Benefit Pension Plan

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

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

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

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, which uses the three highest annual salaries. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) 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. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	Contribution Rates	
	2015	2016
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2016 Employer Contributions		\$ 55,059
2016 Member Contributions		157,361
2015 NECE On-behalf Contributions		124,886

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days 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, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

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

Valuation Date	8/31/2015
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Market Value
Single Discount Rate	8.00%
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Inflation	2.50%
Salary Increases including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefit Changes During 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 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, 2014 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Return*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2%
Alpha			1%
Total	100%		8.7%

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$ 972,002	\$ 620,369	\$ 327,481

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2015, the District's liability was \$620,369 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 620,369
State's proportionate share that is associated with the District	1,490,433
Total	\$ 2,110,802

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

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.0017550% which was an increase of 0.0009990% 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%.

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.

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective September 1, 2013. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2015, measurement period, the District's pension expense was \$212,363 and revenue of \$212,363 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,597	\$ 23,841
Changes in actuarial assumptions	10,916	22,132
Difference between projected and actual investment earnings	106,492	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	228,271	171
Contributions paid to TRS subsequent to the measurement date	55,059	-
Total	\$ 403,335	\$ 46,144

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

Year ended August 31,	Pension Expense Amount
2017	\$ 56,354
2018	56,354
2019	56,353
2020	71,783
2021	33,422
Thereafter	27,866

H. Retiree Health Plan

Plan Description. The Blum 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 Web site 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.

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 2015-2013.

Contribution Rates						
Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2016	0.65%	\$ 14,206	1.0%	\$ 21,856	0.55%	\$ 12,021
2015	0.65%	\$ 14,011	1.0%	\$ 21,555	0.55%	\$ 11,855
2014	0.65%	\$ 14,149	1.0%	\$ 21,768	0.55%	\$ 11,972

Medicare Part D – On-behalf Payments. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments of \$8,999, \$9,889, and \$5,888 were recognized for the years ended August 31, 2016, 2015, and 2014 respectively, as equal revenues and expenditures.

I. Commitments and Contingencies

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

J. Unearned Revenue

The District had \$2,100 in unearned revenue at August 31, 2016 related to math and literacy stipends that were received prior to year-end and are to be utilized in the 2016-2017 school year.

K. Disaggregation of Receivables and Payables

Receivables at August 31, 2016, were as follows:

<u>Fund</u>	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due from Other Funds</u>	<u>Other Receivables</u>	<u>Total Receivables</u>
General	\$ 99,603	\$ 97,312	\$ 127,024	\$ 25,358	\$ 349,297
Debt Service Fund	13,234	-	-	3,961	17,195
Non-major Funds	-	32,569	2,279	-	34,848
Total Governmental Activities	\$ <u>112,837</u>	\$ <u>129,881</u>	\$ <u>129,303</u>	\$ <u>29,319</u>	\$ <u>401,340</u>
Allowance for uncollectibles	\$ <u>(28,209)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(28,209)</u>

Payables at August 31, 2016, were as follows:

Fund	Accounts Payable	Interest Payable	Salaries and Benefits	Due to Other Funds	Due to Other Governments	Total Payables
General	\$ 18,383	\$ -	\$ 132,617	\$ 2,279	\$ 39,464	\$ 192,743
Debt Service Fund	-	1,664	-	53,768	6,255	61,687
Agency Fund	-	-	-	1,864	-	1,864
Non-Major Funds	<u>1,015</u>	<u>-</u>	<u>9,694</u>	<u>71,392</u>	<u>-</u>	<u>82,101</u>
Total Governmental Activities	<u>\$ 19,398</u>	<u>\$ 1,664</u>	<u>\$ 142,311</u>	<u>\$ 129,303</u>	<u>\$ 45,719</u>	<u>\$ 338,395</u>

M. Joint Venture-Shared Service Arrangements

The District participates in two shared service arrangements with two different school districts. Although the District is an active participant in the activity of the shared service arrangement (SSA) the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent nor does the District have a net equity interest in the fiscal agents. The fiscal agents are neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Blum Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Presented below are the District's Service Providers:

Hill County Shared Services Arrangement
ESC XII Shared Services

N. Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

O. Maintenance of Effort

The District spent \$111,407 for health insurance premiums in the fiscal year ended August 31, 2016.

P. Related Party Transactions

Throughout the fiscal year, repairs and maintenance were performed for the District by Aire Max. This company is owned and operated by a member of the school board. The total payments remitted to the company for the year were \$12,948.

BLUM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
		Original	Final		
	REVENUES				
5700	Local and intermediate sources	\$ 1,389,488	\$ 1,399,488	\$ 1,383,434	\$ (16,054)
5800	State program revenues	2,574,112	2,574,112	2,636,621	62,509
5900	Federal program revenues	131,207	131,207	60,046	(71,161)
5020	Total revenues	<u>4,094,807</u>	<u>4,104,807</u>	<u>4,080,101</u>	<u>(24,706)</u>
	EXPENDITURES				
	Current:				
0011	Instruction	2,015,909	2,029,325	1,958,967	70,358
0012	Instructional resources and media services	71,636	77,447	67,809	9,638
0013	Curriculum and staff development	3,150	3,750	2,060	1,690
0023	School leadership	287,502	289,053	284,511	4,542
0031	Guidance, counseling, and evaluation services	64,878	65,201	62,978	2,223
0033	Health services	57,650	62,507	53,032	9,475
0034	Student transportation	168,398	177,658	169,451	8,207
0036	Extracurricular activities	95,963	113,963	109,076	4,887
0041	General administration	241,721	247,660	246,928	732
0051	Facilities maintenance and operations	535,386	546,932	457,785	89,147
0053	Data processing services	25,626	26,126	25,634	492
	Debt service:				
0071	Principal on long-term debt	153,241	147,098	109,243	37,855
0072	Interest on long-term debt	-	2,157	5,530	(3,373)
	Capital outlay:				
0081	Capital outlay	-	1,553,389	349,616	1,203,773
	Intergovernmental:				
0093	Payments related to shared services arrangements	261,097	261,098	201,491	59,607
0099	Other governmental charges	51,720	55,720	48,757	6,963
6030	Total expenditures	<u>4,033,877</u>	<u>5,659,084</u>	<u>4,152,868</u>	<u>1,506,216</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>60,930</u>	<u>(1,554,277)</u>	<u>(72,767)</u>	<u>1,481,510</u>
	OTHER FINANCING SOURCES (USES)				
8911	Transfers out	(61,429)	(73,346)	(66,286)	7,060
7080	Total other financing sources (uses)	<u>(61,429)</u>	<u>(73,346)</u>	<u>(66,286)</u>	<u>7,060</u>
1200	NET CHANGE IN FUND BALANCES	<u>(499)</u>	<u>(1,627,623)</u>	<u>(139,053)</u>	<u>1,488,570</u>
0100	FUND BALANCES, BEGINNING	<u>3,196,222</u>	<u>3,196,222</u>	<u>3,196,222</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ 3,195,723</u>	<u>\$ 1,568,599</u>	<u>\$ 3,057,169</u>	<u>\$ 1,488,570</u>

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

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0017550%	0.0007560%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 620,369	\$ 201,938
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	<u>1,490,433</u>	<u>1,374,687</u>
Total	<u>\$ 2,110,802</u>	<u>\$ 1,576,625</u>
District's Covered Employee Payroll	\$ 1,190,533	\$ 1,201,594
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	52.11%	16.81%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	78.43%	83.25%

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

BLUM INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM
 FOR FISCAL YEAR 2016

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 55,059	\$ 51,966
Contribution in Relation to the Contractually Required Contribution	<u>(55,059)</u>	<u>(51,966)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered Employee Payroll	\$ 2,185,571	\$ 1,190,533
Contributions as a percentage of Covered Employee Payroll	2.52%	4.36%

Note: GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2014 - August 31, 2015.

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

BLUM INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

AUGUST 31, 2016

Budgetary Information

The Board of Trustees adopts an “appropriated budget” for the General Fund, Debt Service and the National School Breakfast and Lunch Program Fund, which is included in the Special Revenue Funds.

The District is required to present the adopted and final amended budgeted revenue and expenditures for each of these funds. The District compares the final amended budget to actual revenue and expenditures. The General Fund Budget is presented at Exhibit G-1 and the Debt Service and the National School Breakfast and Lunch Program Funds are presented at Exhibit J-4 and J-5.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least 10 days’ public notice of the meeting must be given.
3. Prior to August 31, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.
5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year’s budget. The District had no outstanding end-of-year encumbrances.
6. The District’s expenditures exceeded appropriations in interest on long-term debt in the General Fund by \$3,373. The excess expenditures were covered by various functions, additional revenue and available fund balance. Expenditures exceeded appropriations in food service in the National School Breakfast and Lunch Program Fund. The excess expenditures were covered by operating transfers in from the general fund. Expenditures also exceeded appropriations in bond issuance cost and fees in the Debt Service Fund and was covered by available fund balance.

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

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting	265 Title IV, B Community Learning	
ASSETS					
1110	Cash and cash equivalents	\$ 13,793	\$ -	\$ 3,151	\$ 28,826
1240	Due from other governments	6,934	5,832	1,597	-
1260	Due from other funds	<u>1,109</u>	<u>1,170</u>	<u>-</u>	<u>-</u>
1000	Total assets	<u>\$ 21,836</u>	<u>\$ 7,002</u>	<u>\$ 4,748</u>	<u>\$ 28,826</u>
LIABILITIES					
2110	Accounts payable	\$ -	\$ 1,015	\$ -	\$ -
2160	Accrued wages payable	3,232	4,473	1,273	-
2170	Due to other funds	18,294	1,434	3,433	28,826
2200	Accrued Expenditures	310	80	42	-
2300	Unearned revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total liabilities	<u>21,836</u>	<u>7,002</u>	<u>4,748</u>	<u>28,826</u>
FUND BALANCES					
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total liabilities, deferred inflows of resources and fund balances	<u>\$ 21,836</u>	<u>\$ 7,002</u>	<u>\$ 4,748</u>	<u>\$ 28,826</u>

EXHIBIT H-1

289 Other Federal Special Revenue Funds	410 State Instructional Materials	429 Other State Special Revenue Funds	Total Non Major Special Revenue Funds	618 Capital Projects	Total Nonmajor Governmental Funds
\$ 1,483	\$ -	\$ 2,100	\$ 49,353	\$ -	\$ 49,353
-	17,922	284	32,569	-	32,569
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,279</u>	<u>-</u>	<u>2,279</u>
<u>\$ 1,483</u>	<u>\$ 17,922</u>	<u>\$ 2,384</u>	<u>\$ 84,201</u>	<u>\$ -</u>	<u>\$ 84,201</u>
\$ -	\$ -	\$ -	\$ 1,015	\$ -	\$ 1,015
-	-	279	9,257	-	9,257
1,483	17,922	-	71,392	-	71,392
-	-	5	437	-	437
<u>-</u>	<u>-</u>	<u>2,100</u>	<u>2,100</u>	<u>-</u>	<u>2,100</u>
<u>1,483</u>	<u>17,922</u>	<u>2,384</u>	<u>84,201</u>	<u>-</u>	<u>84,201</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,483</u>	<u>\$ 17,922</u>	<u>\$ 2,384</u>	<u>\$ 84,201</u>	<u>\$ -</u>	<u>\$ 84,201</u>

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

<u>Data Control Codes</u>	<u>211 ESEA I, A Improving Basic Program</u>	<u>240 National Breakfast and Lunch Program</u>	<u>255 ESEA II, A Training and Recruiting</u>	<u>265 Title IV, B Community Learning</u>
REVENUES				
5700	Local and intermediate sources	\$ -	\$ 59,072	\$ -
5800	State program revenues	-	6,599	-
5900	Federal program revenues	<u>41,747</u>	<u>142,625</u>	<u>93,136</u>
5020	Total revenues	<u>41,747</u>	<u>208,296</u>	<u>93,136</u>
EXPENDITURES				
Current:				
0011	Instructor	41,747	-	13,844
0013	Curriculum and instructional staff developmer	-	-	-
0034	Student (pupil) transportati	-	-	24,667
0035	Food services	-	274,582	-
0051	Facilities maintenance and operations	-	-	-
6030	Total expenditures	<u>41,747</u>	<u>274,582</u>	<u>93,136</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(66,286)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
7915	Transfers in	-	66,286	-
7080	Total other financing sources (uses)	<u>-</u>	<u>66,286</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	-	-	-
0100	FUND BALANCE, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
3000	FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EXHIBIT H-2

<u>289</u> <u>Other Federal</u> <u>Special</u> <u>Revenue Funds</u>	<u>410</u> <u>State</u> <u>Instructional</u> <u>Materials</u>	<u>429</u> <u>Other State</u> <u>Special</u> <u>Revenue Funds</u>	<u>Total</u> <u>Non Major</u> <u>Special</u> <u>Revenue Funds</u>	<u>618</u> <u>Capital</u> <u>Projects</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u>
\$ -	\$ -	\$ -	\$ 59,072	\$ 2	\$ 59,074
-	69,915	284.00	76,798	-	76,798
<u>22,273</u>	<u>-</u>	<u>-</u>	<u>313,625</u>	<u>-</u>	<u>313,625</u>
<u>22,273</u>	<u>69,915</u>	<u>284</u>	<u>449,211</u>	<u>2</u>	<u>449,213</u>
-	69,915	284	194,259	-	194,259
22,273	-	-	22,273	-	22,273
-	-	-	24,667	-	24,667
-	-	-	274,582	-	274,582
-	-	-	-	4,974	4,974
<u>22,273</u>	<u>69,915</u>	<u>284</u>	<u>515,497</u>	<u>4,974</u>	<u>520,471</u>
-	-	-	(66,286)	(4,972)	(71,258)
-	-	-	66,286	2	66,286
-	-	-	66,286	-	66,286
-	-	-	-	(4,972)	(4,972)
-	-	-	-	4,972	4,972
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BLUM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2016**

Last Ten Years Ended August 31,	1		2	3	10	20
	Tax Rates			Net Assessed/ Appraised Value for School Tax Purpose	Beginning Balance 09/01/15	Current Year's Total Levy
	Maintenance	Debt Service				
2007 and prior years	various	various		various	\$ 3,183	\$ -
2008	1.170000	0.201510		71,808,551	959	-
2009	1.170000	0.175200		117,855,440	2,543	-
2010	1.170000	0.098347		152,884,193	2,159	-
2011	1.170000	0.205800		137,474,287	4,030	-
2012	1.170000	0.205800		126,910,059	6,706	-
2013	1.170000	0.205800		118,972,895	7,920	-
2014	1.170000	0.228800		105,924,310	16,177	-
2015	1.170000	0.230355		111,344,980	43,794	-
2016	1.170000	0.180400		118,045,468	-	1,594,086
1000 Totals					\$ 87,471	\$ 1,594,086

31	32	40	50
<u>Maintenance Total Collections</u>	<u>Debt Service Total Collections</u>	<u>Entire Year's Adjustments</u>	<u>Ending Balance 08/31/2016</u>
\$ 53	\$ 5	\$(940)	\$ 2,185
(16)	(3)	(72)	906
-	-	(67)	2,476
-	-	(63)	2,096
674	118	(68)	3,170
1,828	322	(69)	4,487
3,636	640	(67)	3,577
5,551	1,085	(71)	9,470
23,648	4,656	(998)	14,492
<u>1,276,078</u>	<u>196,913</u>	<u>(51,117)</u>	<u>69,978</u>
<u>\$ 1,311,452</u>	<u>\$ 203,736</u>	<u>\$(53,532)</u>	<u>\$ 112,837</u>

BLUM 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 AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts GAAP Basis)	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and intermediate sources	\$ 54,600	\$ 54,600	\$ 59,072	\$ 4,472
5800	State program revenues	6,504	6,504	6,599	95
5900	Federal program revenues	<u>126,000</u>	<u>126,000</u>	<u>142,625</u>	<u>16,625</u>
5020	Total revenues	<u>187,104</u>	<u>187,104</u>	<u>208,296</u>	<u>21,192</u>
EXPENDITURES					
0035	Food Service	<u>248,773</u>	<u>265,508</u>	<u>274,582</u>	<u>(9,074)</u>
6030	Total expenditures	<u>248,773</u>	<u>265,508</u>	<u>274,582</u>	<u>(9,074)</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(61,669)</u>	<u>(78,404)</u>	<u>(66,286)</u>	<u>12,118</u>
OTHER FINANCING SOURCES (USES)					
7915	Transfers in	<u>61,669</u>	<u>73,346</u>	<u>66,286</u>	<u>(7,060)</u>
	Total nonoperating revenues (expenses)	<u>61,669</u>	<u>73,346</u>	<u>66,286</u>	<u>(7,060)</u>
1200	NET CHANGE IN FUND BALANCE	-	(5,058)	-	5,058
0100	FUND BALANCE, BEGINNING	-	-	-	-
3000	FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$(5,058)</u>	<u>\$ -</u>	<u>\$ 5,058</u>

BLUM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and intermediate sources	\$ 217,215	\$ 217,215	\$ 206,426	\$ (10,789)
5800	State program revenues	-	31,864	32,373	509
5020	Total revenues	<u>217,215</u>	<u>249,079</u>	<u>238,799</u>	<u>(10,280)</u>
EXPENDITURES					
Current:					
0071	Principal on long-term debt	180,000	180,000	180,000	-
0072	Interest on long-term debt	95,335	95,335	95,335	-
0073	Bond issuance costs and fees	400	60,415	80,059	(19,644)
6030	Total expenditures	<u>275,735</u>	<u>335,750</u>	<u>355,394</u>	<u>(19,644)</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(58,520)	(86,671)	(116,595)	(29,924)
OTHER FINANCING SOURCES (USES)					
7911	Capital-related debt issued	-	-	2,055,000	(2,055,000)
7915	Transfers in	31,864	-	-	-
7916	Premium or discount on issuance of bonds	-	-	211,187	(211,187)
8949	Payment to bond refunding escrow agent	-	-	(2,185,385)	2,185,385
7080	Total other financing sources (uses)	<u>31,864</u>	<u>-</u>	<u>80,802</u>	<u>(80,802)</u>
1200	NET CHANGE IN FUND BALANCES	(58,520)	(86,671)	(35,793)	50,878
0100	FUND BALANCES, BEGINNING	<u>162,796</u>	<u>162,796</u>	<u>162,796</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ 104,276</u>	<u>\$ 76,125</u>	<u>\$ 127,003</u>	<u>\$ 50,878</u>



PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

Board of Trustees
Blum Independent School District
Blum, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Blum Independent School District as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise Blum Independent School District's basic financial statements and have issued our report thereon dated December 6, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Blum Independent School 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 Blum Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Blum Independent School District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Hillsboro, Texas
December 6, 2016