

BRAZOS INDEPENDENT
SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2019

Brazos Independent School District
Annual Financial Report
For The Year Ended August 31, 2019

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Introductory Section

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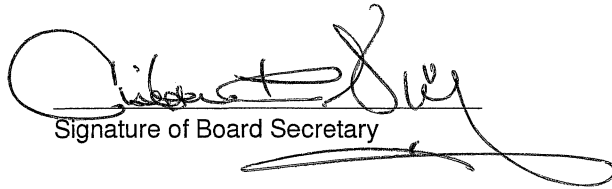
CERTIFICATE OF BOARD

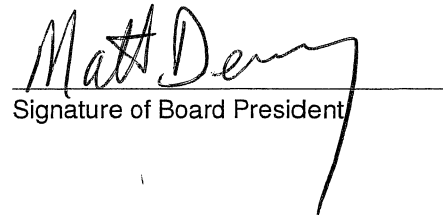
Brazos Independent School District
Name of School District

Austin
County

008-903
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, 2019, at a meeting of the board of trustees of such school district on the 22nd day of January, 2020.


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)

Financial Section



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Brazos Independent School District:

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 Brazos Independent School District (the "District"), as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2019, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other supplementary information, and the schedule of required responses to selected school first indicators are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and other supplementary information 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 and individual nonmajor fund financial statements, other supplementary information, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and the schedule of required responses to selected school first indicators have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The logo for Belt Harris Pechacek, LLP features the company name in a stylized, serif font. The letters 'B', 'H', and 'P' are significantly larger and more ornate than the other letters, which are in a smaller, simpler serif font. The name is written in a dark red or maroon color.

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
January 17, 2020

Management's Discussion & Analysis (MD&A)

BRAZOS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED AUGUST 31, 2019

This discussion and analysis of the Brazos Independent School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2019. It should be read in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's total combined net position at August 31, 2019 was \$35,107.
- For the fiscal year ended August 31, 2019, the District's general fund reported a total fund balance of \$4,060,380, which was unassigned.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds, capital projects fund, and the debt service fund) reported combined ending fund balances of \$5,548,832.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information*. The basic statements include two kinds of statements that present different views of the District.

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

The government-wide financial statements of the District include the *governmental activities*. Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operation and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State foundation program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

BRAZOS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED AUGUST 31, 2019

FUND FINANCIAL STATEMENTS

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

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees (the "Board") establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity – these assets do not belong to the District, but the District is responsible to properly account for them.

The District has the following kinds of funds:

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

BRAZOS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED AUGUST 31, 2019

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$35,107 at August 31, 2019. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the fiscal year ended August 31, 2019. *Table 1* indicates the overall condition of the District improved. The District's current assets increased due to an increase in cash and cash equivalents with the influx of revenues from property taxes and State allotments. The District's long-term liabilities increased primarily due to the increases in the District's net pension and OPEB liabilities. *Table 2* reflects the District reporting an overall increase in net position of \$1,398,230.

Table 1

Net Position

Description	Governmental Activities		Total Change 2019-2018
	2019	2018	
Current assets	\$ 6,019,219	\$ 5,054,376	\$ 964,843
Capital assets	14,863,119	14,850,991	12,128
Total Assets	20,882,338	19,905,367	976,971
Deferred charge of refunding	943,492	1,016,950	(73,458)
Deferred outflows related to OPEB	1,206,875	491,709	715,166
Deferred outflows related to pensions	310,227	52,489	257,738
Total Deferred Outflows of Resources	2,460,594	1,561,148	899,446
Current liabilities	183,789	201,146	(17,357)
Long-term liabilities	21,429,521	20,868,689	560,832
Total Liabilities	21,613,310	21,069,835	543,475
Deferred inflows related to pensions	266,980	310,943	(43,963)
Deferred inflows related to OPEB	1,427,535	1,448,860	(21,325)
Total Deferred Inflows of Resources	1,694,515	1,759,803	(65,288)
Net Position:			
Net investment in capital assets	1,013,706	541,526	472,180
Restricted for:			
State programs	91,862	52,791	39,071
Debt service	856,160	673,390	182,770
Other restrictions	42,849	48,243	(5,394)
Unrestricted	(1,969,470)	(2,679,073)	709,603
Total Net Position	\$ 35,107	\$ (1,363,123)	\$ 1,398,230

BRAZOS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED AUGUST 31, 2019

Table 2
Changes in Net Position

	Governmental Activities		Total Change
	2019	2018	2019-2018
Revenues			
Program revenues:			
Charges for services	\$ 260,327	\$ 259,582	\$ 745
Operating grants and contributions	1,810,501	106,407	1,704,094
General revenues:			
Property taxes	4,380,040	4,071,804	308,236
Grants and contributions not restricted	5,260,510	5,095,027	165,483
Investment earnings	69,405	59,188	10,217
Miscellaneous	168,219	134,024	34,195
Total Revenue	11,949,002	9,726,032	2,222,970
Expenses			
Instruction	5,187,598	3,205,127	1,982,471
Instructional resources and media services	84,654	63,942	20,712
Curriculum and staff development	8,104	8,698	(594)
Instructional leadership	132,207	86,261	45,946
School leadership	597,698	385,622	212,076
Guidance, counseling, and evaluation services	328,479	169,697	158,782
Health services	89,920	55,500	34,420
Student (pupil) transportation	550,771	351,276	199,495
Food services	627,968	413,502	214,466
Cocurricular/extracurricular activities	701,047	420,188	280,859
General administration	400,147	436,387	(36,240)
Plant maintenance and operations	1,152,426	944,143	208,283
Security and monitoring	5,631	3,414	2,217
Data processing services	121,737	2,622	119,115
Interest on long-term debt	412,687	428,547	(15,860)
Bond issuance costs and fees	75,558	74,959	599
Other intergovernmental charges	74,140	-	74,140
Total Expenses	10,550,772	7,049,885	3,500,887
Change in Net Position	1,398,230	2,676,147	(1,277,917)
Beginning net position	(1,363,123)	(4,039,270)	2,676,147
Ending Net Position	\$ 35,107	\$ (1,363,123)	\$ 1,398,230

Revenues from governmental activities totaled \$11,949,002, which is an increase of \$2,222,970 from the 2018 fiscal year. This includes an increase in operating grants and contributions revenue of \$1,704,094 and an increase in property tax revenues of \$308,236. Grant revenue fluctuates based on weighted average daily attendance. The District's operating grants and contributions increased significantly due to the prior year decrease in on-behalf revenues related to the decrease in pension and OPEB liabilities. In total, revenues for the year increased by 22.86% from the prior year.

Expenses from governmental activities totaled \$10,550,772, which is an increase of \$3,500,887 from the 2018 fiscal year, primarily due to an increase in expenses for instruction, school leadership, food services, cocurricular/extracurricular activities, and plant maintenance and operations, which is the result of the increase in OPEB liability, pension liability, and the related decrease in on-behalf expenses. In total, expenses for the year increased 49.66% from the prior year.

BRAZOS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED AUGUST 31, 2019

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2019, the District's governmental funds reported a combined fund balance of \$5,548,832. This compares to a combined fund balance of \$4,641,166 at August 31, 2018. The fund balance in the general fund increased primarily due to an increase in property tax revenues and state program revenues. Property tax revenues increased due to the increase in the assessed value of properties within the District. Grant revenue fluctuates based on weighted average daily attendance. Expenditures in the general fund increased primarily due to the purchase of four buses and the reallocation of the technology director salary. The fund balance in the debt service fund increased due to property tax collections in excess of debt payments. The fund balance in the capital projects fund decreased due to various capital project expenditures.

BUDGETARY HIGHLIGHTS

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service fund. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2019, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. The change between the original budget and the final amended budget was due to an increase in property tax revenues and an increase in capital outlay. The general fund's actual revenues exceeded budgeted revenues by \$550,494 and the budgeted expenditures exceeded actual expenditures by \$254,963.

CAPITAL ASSETS

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost of an amount determined by the Board. Donated capital assets are recorded at acquisition value at the date of donation. During the fiscal year ended August 31, 2019, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At August 31, 2019, the District had a total of \$14,863,119 invested in capital assets (net of accumulated depreciation) such as land, buildings, and District equipment. This total includes \$768,606 invested during the fiscal year ended August 31, 2019 with major invested capital assets being:

- Four 21-Passenger special education buses - \$374,940
- High school rubberized track - \$188,283
- New stadium bleachers - \$100,059
- 2020 Chevy suburban - \$39,715
- New Turf Tiger 72" mower - \$11,680
- Basketball scoreboard - \$6,899

More detailed information about the District's capital assets can be found in the notes to the financial statements.

LONG-TERM DEBT

At year end, the District had \$12,935,284 in general obligations bonds and loans outstanding versus \$13,603,211 last year.

More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following factors were considered in establishing the District's budget for 2019-2020:

- The District budgeted revenues of \$10,116,795 and expenditures of \$9,126,018 for an increase in the general fund fund balance.
- The District's Board adopted a Maintenance and Operation tax rate of \$0.97 and an Interest and Sinking tax rate of \$0.37 for a total of \$1.34 per \$100 of property valuation.

BRAZOS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED AUGUST 31, 2019

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and creditors with a general overview of the District's finances and to demonstrate the District's commitment to accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Brazos Independent School District's business office at 227 Educator Lane, Wallis, Texas 77485 or by calling (979) 478-6066.

Basic Financial Statements

BRAZOS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2019

Data Control Codes		1	Governmental Activities
ASSETS:			
1110	Cash and Cash Equivalents	\$	5,237,314
1220	Property Taxes Receivable		442,920
1230	Allowance for Uncollectible Taxes		(116,084)
1240	Due from Other Governments		444,172
1290	Other Receivables (Net)		10,897
Capital Assets:			
1510	Land		310,000
1520	Buildings and Improvements, Net		13,454,627
1530	Furniture and Equipment, Net		266,466
1540	Vehicles, Net		832,026
1000	Total Assets		<u>20,882,338</u>
DEFERRED OUTFLOWS OF RESOURCES:			
1701	Deferred Charge on Refunding		943,492
1705	Deferred Outflows Related to Pensions		1,206,875
1706	Deferred Outflows Related to OPEB		310,227
1700	Total Deferred Outflows of Resources		<u>2,460,594</u>
LIABILITIES:			
2110	Accounts Payable		110,043
2140	Interest Payable		20,057
2165	Accrued Liabilities		53,689
Noncurrent Liabilities:			
2501	Due Within One Year		685,297
2502	Due in More Than One Year		14,605,189
2540	Net Pension Liability		2,379,109
2545	Net OPEB Liability		3,759,926
2000	Total Liabilities		<u>21,613,310</u>
DEFERRED INFLOWS OF RESOURCES:			
2605	Deferred Inflows Related to Pensions		266,980
2606	Deferred Inflows Related to OPEB		1,427,535
2600	Total Deferred Inflows of Resources		<u>1,694,515</u>
NET POSITION:			
3200	Net Investment in Capital Assets		1,013,706
Restricted For:			
3820	State and Federal Programs		91,862
3850	Debt Service		856,160
3890	Other Restrictions on Fund Balance		42,849
3900	Unrestricted		(1,969,470)
3000	Total Net Position	\$	<u>35,107</u>

The accompanying notes are an integral part of this statement.

BRAZOS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 5,187,598	\$ --	\$ 1,023,185	\$ (4,164,413)
12	Instructional Resources and Media Services	84,654	--	8,522	(76,132)
13	Curriculum and Staff Development	8,104	--	172	(7,932)
21	Instructional Leadership	132,207	--	19,480	(112,727)
23	School Leadership	597,698	--	78,152	(519,546)
31	Guidance, Counseling, and Evaluation Services	328,479	--	35,895	(292,584)
33	Health Services	89,920	--	10,246	(79,674)
34	Student Transportation	550,771	--	26,323	(524,448)
35	Food Service	627,968	164,133	434,012	(29,823)
36	Cocurricular/Extracurricular Activities	701,047	89,544	43,433	(568,070)
41	General Administration	400,147	6,650	35,297	(358,200)
51	Facilities Maintenance and Operations	1,152,426	--	58,267	(1,094,159)
52	Security and Monitoring Services	5,631	--	201	(5,430)
53	Data Processing Services	121,737	--	4,089	(117,648)
72	Interest on Long-term Debt	412,687	--	33,227	(379,460)
73	Bond Issuance Costs and Fees	75,558	--	--	(75,558)
99	Other Intergovernmental Charges	74,140	--	--	(74,140)
TG	Total Governmental Activities	10,550,772	260,327	1,810,501	(8,479,944)
TP	Total Primary Government	\$ 10,550,772	\$ 260,327	\$ 1,810,501	(8,479,944)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				3,165,079
DT	Property Taxes, Levied for Debt Service				1,214,961
IE	Investment Earnings				69,405
GC	Grants and Contributions Not Restricted to Specific Programs				5,260,510
MI	Miscellaneous				168,219
TR	Total General Revenues				9,878,174
CN	Change in Net Position				1,398,230
NB	Net Position - Beginning				(1,363,123)
NE	Net Position - Ending				\$ 35,107

The accompanying notes are an integral part of this statement.

BRAZOS INDEPENDENT SCHOOL DISTRICT**BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2019

Data Control Codes	10 General Fund	50 Debt Service
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ 3,731,108	\$ 856,160
1220 <i>Property Taxes Receivable</i>	321,732	121,188
1230 <i>Allowance for Uncollectible Taxes</i>	(85,761)	(30,323)
1240 <i>Due from Other Governments</i>	421,914	--
1290 <i>Other Receivables</i>	10,897	--
1000 Total Assets	<u>\$ 4,399,890</u>	<u>\$ 947,025</u>
LIABILITIES:		
Current Liabilities:		
2110 <i>Accounts Payable</i>	\$ 70,514	\$ --
2150 <i>Payroll Deductions and Withholdings</i>	1,133	--
2160 <i>Accrued Wages Payable</i>	30,543	--
2200 <i>Accrued Expenditures</i>	1,349	--
2000 Total Liabilities	<u>103,539</u>	<u>--</u>
DEFERRED INFLOWS OF RESOURCES:		
2601 <i>Unavailable Revenue - Property Taxes</i>	235,971	90,865
2600 Total Deferred Inflows of Resources	<u>235,971</u>	<u>90,865</u>
FUND BALANCES:		
Restricted Fund Balances:		
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--
3470 <i>Capital Acquisitions and Contractual Obligations</i>	--	--
3480 <i>Retirement of Long-Term Debt</i>	--	856,160
3490 <i>Other Restrictions of Fund Balance</i>	--	--
3600 Unassigned	4,060,380	--
3000 Total Fund Balances	<u>4,060,380</u>	<u>856,160</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,399,890</u>	<u>\$ 947,025</u>

EXHIBIT C-1

60		98
Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 497,581	\$ 152,465	\$ 5,237,314
--	--	442,920
--	--	(116,084)
--	22,258	444,172
--	--	10,897
<u>\$ 497,581</u>	<u>\$ 174,723</u>	<u>\$ 6,019,219</u>
\$ --	\$ 39,529	\$ 110,043
--	--	1,133
--	442	30,985
--	41	1,390
<u>--</u>	<u>40,012</u>	<u>143,551</u>
--	--	326,836
<u>--</u>	<u>--</u>	<u>326,836</u>
--	91,862	91,862
497,581	--	497,581
--	--	856,160
--	42,849	42,849
--	--	4,060,380
<u>497,581</u>	<u>134,711</u>	<u>5,548,832</u>
<u>\$ 497,581</u>	<u>\$ 174,723</u>	<u>\$ 6,019,219</u>

BRAZOS INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2019*

Total fund balances - governmental funds balance sheet \$ 5,548,832

Amounts reported for governmental activities in the Statement of Net Position
(SNP) are different because:

Capital assets used in governmental activities are not reported in the funds.	14,863,119
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	326,836
The changes in claims liability are included in governmental activities in the SNP.	(20,181)
Payables for bond principal which are not due in the current period are not reported in the funds.	(12,864,987)
Payables for bond interest which are not due in the current period are not reported in the funds.	(20,057)
Payables for notes which are not due in the current period are not reported in the funds.	(70,297)
Recognition of the deferred charge on refunding is not reported in the funds.	943,492
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(2,379,109)
Deferred inflows of resources related to the pension plan are not reported in the funds.	(266,980)
Deferred outflows of resources related to the pension plan are not reported in the funds.	1,206,875
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(1,005,143)
Bond premiums are amortized in the SNA but not in the funds.	(1,350,059)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(3,759,926)
Deferred inflows of resources related to the OPEB plan are not reported in the funds.	(1,427,535)
Deferred outflows of resources related to the OPEB plan are not reported in the funds.	310,227

Net position of governmental activities - Statement of Net Position \$ 35,107

The accompanying notes are an integral part of this statement.

BRAZOS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		10	50
		General Fund	Debt Service
REVENUES:			
5700	Local and Intermediate Sources	\$ 3,416,160	\$ 1,222,651
5800	State Program Revenues	5,580,118	33,227
5900	Federal Program Revenues	286,548	--
5020	Total Revenues	<u>9,282,826</u>	<u>1,255,878</u>
EXPENDITURES:			
Current:			
0011	Instruction	4,064,560	--
0012	Instructional Resources and Media Services	70,454	--
0013	Curriculum and Staff Development	4,545	--
0021	Instructional Leadership	119,950	--
0023	School Leadership	547,668	--
0031	Guidance, Counseling, and Evaluation Services	314,483	--
0033	Health Services	85,113	--
0034	Student Transportation	786,106	--
0035	Food Service	--	--
0036	Cocurricular/Extracurricular Activities	545,650	--
0041	General Administration	376,553	--
0051	Facilities Maintenance and Operations	1,046,450	--
0052	Security and Monitoring Services	5,631	--
0053	Data Processing Services	129,409	--
0071	Principal on Long-term Debt	67,927	600,000
0072	Interest on Long-term Debt	4,824	471,008
0073	Bond Issuance Costs and Fees	--	2,100
0081	Capital Outlay	51,214	--
0099	Other Intergovernmental Charges	74,140	--
6030	Total Expenditures	<u>8,294,677</u>	<u>1,073,108</u>
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	<u>988,149</u>	<u>182,770</u>
Other Financing Sources and (Uses):			
7915	Transfers In	--	--
8911	Transfers Out	(100,059)	--
7080	Total Other Financing Sources and (Uses)	<u>(100,059)</u>	<u>--</u>
1200	Net Change in Fund Balances	<u>888,090</u>	<u>182,770</u>
0100	Fund Balances - Beginning	3,172,290	673,390
3000	Fund Balances - Ending	<u>\$ 4,060,380</u>	<u>\$ 856,160</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

60		98
Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 7,293	\$ 218,618	\$ 4,864,722
--	157,639	5,770,984
--	758,592	1,045,140
<u>7,293</u>	<u>1,134,849</u>	<u>11,680,846</u>
--	497,937	4,562,497
--	--	70,454
--	--	4,545
--	--	119,950
--	923	548,591
--	--	314,483
--	--	85,113
--	--	786,106
--	543,859	543,859
--	57,853	603,503
--	600	377,153
--	--	1,046,450
--	--	5,631
--	--	129,409
--	--	667,927
--	--	475,832
--	--	2,100
304,223	--	355,437
--	--	74,140
<u>304,223</u>	<u>1,101,172</u>	<u>10,773,180</u>
<u>(296,930)</u>	<u>33,677</u>	<u>907,666</u>
100,059	--	100,059
--	--	(100,059)
<u>100,059</u>	<u>--</u>	<u>--</u>
<u>(196,871)</u>	<u>33,677</u>	<u>907,666</u>
694,452	101,034	4,641,166
<u>\$ 497,581</u>	<u>\$ 134,711</u>	<u>\$ 5,548,832</u>

BRAZOS INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019*

Net change in fund balances - total governmental funds	\$ 907,666
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:	
Capital outlays are not reported as expenses in the SOA.	768,606
The depreciation of capital assets used in governmental activities is not reported in the funds.	(750,658)
The gain or loss on the sale of capital assets is not reported in the funds.	(5,820)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	13,268
Reversal of on-behalf revenues reported in the funds but not in the SOA.	(345,698)
Reversal of on-behalf expenditures reported in the funds but not in the SOA.	345,698
Repayment of bond principal is an expenditure in the funds, but is not an expense in the SOA.	600,000
Repayment of loan principal is an expenditure in the funds, but is not an expense in the SOA.	67,927
Deferred loss on refunding are amortized in the SOA, but not in the funds.	(73,459)
(Increase) decrease in accrued interest from beginning of period to end of period.	(43,679)
(Increase) decrease in accreted interest from beginning of period to end of period.	691
The net revenue (expense) in claims liability is reported with governmental activities.	(7,351)
Bond premiums are reported in the funds, but not in the SOA.	106,133
GASB 68 on-behalf revenues are reported with governmental activities.	444,622
The District's share of the net pension expense is reported with governmental activities.	(612,522)
GASB 75 on-behalf revenues are reported with governmental activities.	155,988
The District's share of the net OPEB expense is reported with governmental activities.	(173,158)
GASB 75 federal funding recognized in the SOA is reported with governmental activities.	(24)
Change in net position of governmental activities - Statement of Activities	\$ <u>1,398,230</u>

The accompanying notes are an integral part of this statement.

BRAZOS INDEPENDENT SCHOOL DISTRICT*STATEMENT OF FIDUCIARY NET POSITION**FIDUCIARY FUNDS**AUGUST 31, 2019*

Data Control Codes		Private-purpose	Agency
		Trust Fund	Fund
		Education	Student
		Scholarships	Activity
ASSETS:			
1110	<i>Cash and Cash Equivalents</i>	\$ 5,954	\$ 103,541
1000	Total Assets	5,954	103,541
LIABILITIES:			
Current Liabilities:			
2190	<i>Due to Student Groups</i>	--	103,541
2000	Total Liabilities	--	103,541
NET POSITION:			
3800	<i>Held in Trust</i>	5,954	--
3000	Total Net Position	\$ 5,954	\$ --

The accompanying notes are an integral part of this statement.

BRAZOS INDEPENDENT SCHOOL DISTRICT*STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**FIDUCIARY FUNDS**FOR THE YEAR ENDED AUGUST 31, 2018*

Private-purpose
Trust Fund
Education
Scholarships

Additions:

Investment Income	\$	71
Gifts and Bequests		168
Total Additions		<u>239</u>

Change in Net Position

239

Net Position-Beginning of the Year		5,715
Net Position-End of the Year	\$	<u><u>5,954</u></u>

The accompanying notes are an integral part of this statement.

BRAZOS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The District is an independent political subdivision of the State of Texas governed by a board elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations, and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District's financial reporting entity. No other entities have been included in the District's reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately.

C. Basis of Presentation – Government-Wide Financial Statements

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonable equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

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

The District reports the following governmental funds:

General Fund

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund is always considered a major fund for reporting purposes.

Debt Service Fund

The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on all long-term debt of the District. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

BRAZOS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, *Continued* FOR THE YEAR ENDED AUGUST 31, 2019

Capital Projects Fund

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlay, including the acquisition or construction of capital facilities and other capital assets. The capital projects fund is considered a nonmajor fund for reporting purposes, but the District elected to present as major due to its significance.

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes other than debt service or capital projects. The restricted proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. Most federal and some state financial assistance is accounted for in a special revenue fund.

Fiduciary Funds

The fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The District has the following type of fiduciary funds:

Agency Funds

The agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for the District's student activity funds.

Trust Funds

The trust funds are custodial in nature and do not present results of operations or have a measurement focus. Trust funds are accounted for using the accrual basis of accounting. These funds are used to account for the District's private-purpose funds.

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

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

BRAZOS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, *Continued*

FOR THE YEAR ENDED AUGUST 31, 2019

E. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

1. Cash and Cash Equivalents

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

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the District is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Government investment pools and commercial paper

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

BRAZOS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, *Continued*

FOR THE YEAR ENDED AUGUST 31, 2019

4. Restricted Assets

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements.

5. Capital Assets

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Asset Description	Estimated Useful Life
Buildings and improvements	20 to 50 years
Vehicles	8 to 10 years
Furniture and Equipment	5 to 20 years

6. 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. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement 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.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

At the fund level, the District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

BRAZOS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, *Continued*

FOR THE YEAR ENDED AUGUST 31, 2019

7. Receivable and Payables Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

8. Interfund Activity

Interfund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidations. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide Statement of Activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide Statement of Net Position.

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable 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, if material. Bonds payable are reported net of the applicable bond premium or discount.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payment of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

10. Fund Balance Policies

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

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted fund balance.

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

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The District's Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

BRAZOS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, *Continued*

FOR THE YEAR ENDED AUGUST 31, 2019

11. Net Position Flow Assumption

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

12. Fund Balance Flow Assumptions

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

13. Estimates

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

14. Data Control Codes

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

15. 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.

16. Other Postemployment Benefits

The fiduciary net position of the TRS Texas Public School Retired Employees Group Insurance Program ("TRS-Care") 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 OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities, and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

BRAZOS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, *Continued*

FOR THE YEAR ENDED AUGUST 31, 2019

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

All taxes due to the District on real or personal property are payable at the Office of the Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is no later than October 1. Taxes are due by January 31, and all taxes not paid prior to this date are deemed delinquent and are subject to such penalty and interest.

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on October 1 and are payable prior to the next February 1. District property tax revenues are recognized when collected.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with GAAP. The original budget is adopted by the District prior to the beginning of the year. The legal level of control is the function code stated in the approved budget. Appropriations lapse at the end of the year, excluding capital project budgets.

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the national school lunch and breakfast program special revenue fund, and the debt service fund. The District budgets the capital projects fund for each *project*, which normally covers multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the year, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures. There were material changes between the original budget and the final amended budget. The final amended budget for the general fund included additional expenditures of \$300,000 from the original budget. The majority of the additional appropriations were related to capital outlay.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

1. Cash Deposits

At August 31, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$5,346,809 and the bank balance was \$5,691,006. The District's cash deposits at August 31, 2019, and during the year ended August 31, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

BRAZOS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

FOR THE YEAR ENDED AUGUST 31, 2019

2. Investments

The District is required by Government Code Chapter 2256, the Public Funds Investment Act (the "Act"), 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.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions: 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas; 2) certificates of deposit; 3) certain municipal securities; 4) securities lending program; 5) repurchase agreements; 6) bankers' acceptances; 7) mutual funds; 8) investment pools; 9) guaranteed investment contracts; and 10) commercial paper.

B. Capital Assets

A summary of changes in capital assets for governmental activities at year end is as follows:

Governmental Activities:	Beginning Balances	Increases	(Decreases)	Ending Balances
Capital assets not being depreciated:				
Land	\$ 310,000	\$ -	\$ -	\$ 310,000
Total capital assets not being depreciated	310,000	-	-	310,000
Other capital assets:				
Buildings and improvements	22,429,962	342,271	(97,000)	22,675,233
Furniture and equipment	761,606	11,680	(32,773)	740,513
Vehicles	1,683,752	414,655	-	2,098,407
Total other capital assets	24,875,320	768,606	(129,773)	25,514,153
Less accumulated depreciation for:				
Buildings and improvements	(8,790,306)	(521,480)	91,180	(9,220,606)
Furniture and equipment	(433,309)	(73,511)	32,773	(474,047)
Vehicles	(1,110,714)	(155,667)	-	(1,266,381)
Total accumulated depreciation	(10,334,329)	(750,658)	123,953	(10,961,034)
Other capital assets, net	14,540,991	17,948	(5,820)	14,553,119
Governmental Activities Capital Assets, Net	\$ 14,850,991	\$ 17,948	\$ (5,820)	\$ 14,863,119

Depreciation was charged to governmental functions as follows:

	Governmental Activities
11 Instruction	\$ 351,530
12 Instructional resources/media services	10,676
13 Curriculum and staff development	3,559
23 School leadership	7,117
34 Student (pupil) transportation	172,975
35 Food service	27,098
36 Extracurricular activities	82,138
41 General administration	3,559
51 Plant maintenance and operations	92,006
Total Depreciation Expense	\$ 750,658

BRAZOS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
FOR THE YEAR ENDED AUGUST 31, 2019

C. Long-Term Debt

The following is a summary of changes in the District's total governmental long-term liabilities for the year. In general, the District uses the debt service fund to liquidate governmental long-term liabilities.

	Original Issue	Beginning Balance	Additions	(Reductions)	Ending Balance	Amounts Due Within One Year
Governmental Activities:						
Bonds, notes, and other payables:						
Series 2007 Bonds- CABs	\$ -	\$ 39,993	\$ -	\$ -	\$ 39,993	\$ -
Series 2012 Bonds	5,759,998	4,610,000	-	(390,000)	4,220,000	405,000
Series 2015 Bonds	5,994,994	5,669,994	-	(175,000)	5,494,994	175,000
Series 2017 Bonds	3,205,000	3,145,000	-	(35,000)	3,110,000	35,000
Direct borrowing:						
Loan 7342	267,283	138,224	-	(67,927)	70,297	70,297
	<u>15,227,275</u>	<u>13,603,211</u>	<u>-</u>	<u>(667,927)</u>	<u>12,935,284</u>	<u>\$ 685,297</u>
Other liabilities:						
Issuance premiums/discount	-	1,456,192	-	(106,133)	1,350,059	-
Accreted interest	-	961,464	43,679	-	1,005,143	-
Net pension liability	-	1,452,080	1,072,637	(145,608)	2,379,109	-
Net OPEB liability	-	3,463,669	348,205	(51,948)	3,759,926	-
Total Governmental Activities	<u>\$ 15,227,275</u>	<u>\$ 20,936,616</u>	<u>\$ 1,464,521</u>	<u>\$ (971,616)</u>	<u>\$ 21,429,522</u>	<u>\$ 685,297</u>
Long-term liabilities due in more than one year					<u>\$ 20,744,224</u>	
*Debt associated with capital assets					<u>\$ 15,290,486</u>	

Bonded indebtedness of the District reflected in the general long-term debt and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. These bonds were issued as unlimited tax school building and refunding bonds. Interest rates on the Series 2007 bonds were 3.65% to 4.25%. The interest rates on the Series 2012 bonds ranged from 1.00% to 3.30%. The interest rates on the Series 2015 bonds range from 0.00% to 4.00%. The interest rates on the Series 2017 ranged from 2.00% to 4.00%. Interest expense was \$475,832 for the year ended August 31, 2019.

Loan indebtedness of the District reflected in the general long-term debt and current requirements for principal and interest expenditures are accounted for in the General Fund. The interest rate on the loan is 3.490%. This loan will be paid in four annual payments that started in 2017.

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

The District's outstanding loans from direct borrowings and direct placements related to governmental activities of \$70,297 contain a provision that in an event of default, outstanding amounts become immediately due if the District is unable to make payment.

BRAZOS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

FOR THE YEAR ENDED AUGUST 31, 2019

The annual requirements to amortize debt issues outstanding at year end were as follows:

Bonds Payable

Year Ended August 31	Principal	Interest	Total Requirements
2020	\$ 615,000	\$ 454,708	\$ 1,069,708
2021	625,000	437,783	1,062,783
2022	645,000	418,808	1,063,808
2023	660,000	399,308	1,059,308
2024	685,000	379,208	1,064,208
2025-2029	2,819,993	2,493,694	5,313,688
2030-2034	4,485,000	900,264	5,385,264
2035-3039	2,329,994	880,006	3,210,000
	<u>\$ 12,864,987</u>	<u>\$ 6,363,776</u>	<u>\$ 19,228,764</u>

Loans from Direct Borrowings and Direct Placements

Year Ended August 31	Principal	Interest	Total Requirements
2020	\$ 70,297	\$ 2,453	\$ 72,751
	<u>\$ 70,297</u>	<u>\$ 2,453</u>	<u>\$ 72,751</u>

D. Commitments Under Noncapitalized Leases

The District has various operating lease agreements where the future minimum payments are immaterial to the operations of the District and, accordingly, the District has elected not to disclose future payments by fiscal year.

E. Interfund Transactions

The transfers at August 31, 2019 were as follows:

Transfers From	Transfers To	Amount	Reason
General Fund	Capital Projects Fund	\$ 100,059	To supplement revenue
	Total	<u>\$ 100,059</u>	

IV. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District purchases commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

BRAZOS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, *Continued*

FOR THE YEAR ENDED AUGUST 31, 2019

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. The District has engaged an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

C. Defined Benefit Pension Plan

Teacher Retirement System

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by TRS. It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. TRS'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 TRS.

Pension Plan Fiduciary Net Position

Detailed information about TRS'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% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic postemployment benefit changes, including automatic cost-of-living adjustments (COLAs). Ad hoc postemployment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of TRS 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.

BRAZOS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, *Continued*

FOR THE YEAR ENDED AUGUST 31, 2019

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 through 2017. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

<u>Contribution Rates</u>	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
NECE (State)	6.8%	6.8%
Employer	6.8%	6.8%

	<u>Measurement Year (2018)</u>	<u>Fiscal Year (2019)</u>
Employer contributions	\$ 145,608	\$ 141,839
Member contributions	\$ 388,528	\$ 389,685
NECE on-behalf contributions	\$ 274,772	\$ 276,218

Contributors to TRS include members, employers, and the State of Texas (the "State") as the NECE. The State is the employer for senior colleges, medical schools, and state agencies, including TRS. In each respective role, the State contributes to TRS in accordance with state statutes and the GAA.

As the NECE for public education and junior colleges, the State contributes to TRS an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of TRS 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 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 TRS an amount equal to 50% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

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

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

BRAZOS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

FOR THE YEAR ENDED AUGUST 31, 2019

Actuarial Assumptions

The total pension liability (TPL) in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 and was determined using the following actuarial assumptions:

Valuation date	August 31, 2017 rolled forward to August 31, 2018
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	6.907%
Long-term expected investment rate of return	7.25%
Municipal bond rate	3.69%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in projection period (100 years)	2116
Inflation	2.3%
Salary increases including inflation	3.05% to 9.05%
Benefit changes during the year	None
Ad hoc postemployment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the three-year period ending August 31, 2017 and adopted in July 2018.

Discount Rate

The single discount rate used to measure the TPL was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from TRS members and those of the contributing employers and the NECE are made at the statutorily required rates. Based on those assumptions, TRS's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. 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.

BRAZOS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

FOR THE YEAR ENDED AUGUST 31, 2019

Best estimates of arithmetic real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2018 are summarized below:

Teacher Retirement System of Texas Asset Allocation and Long-Term Expected Real Rate of Return As of August 31, 2018

	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns *
Global Equity			
U.S.	18.0%	5.7%	1.0%
Non-U.S. Developed	13.0%	6.9%	0.9%
Emerging Markets	9.0%	8.9%	0.8%
Directional Hedge Funds	4.0%	3.5%	0.1%
Private Equity	13.0%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11.0%	1.1%	0.1%
Absolute Returns	0.0%	0.0%	0.0%
Hedge Funds (Stable Value)	4.0%	3.1%	0.1%
Cash	1.0%	-0.3%	0.0%
Real Return			
Global Inflation-Linked Bonds	3.0%	0.7%	0.0%
Real Assets	14.0%	5.2%	0.7%
Energy and Natural Resources	5.0%	7.5%	0.4%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	3.7%	0.2%
Inflation Expectation	0.0%		2.3%
Alpha	0.0%		-0.8%
Total	100.0%		7.1%

* 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 (NPL) if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the NPL:

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District's proportionate share of the net pension liability	\$ 3,590,647	\$ 2,379,109	\$ 1,398,298

BRAZOS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

FOR THE YEAR ENDED AUGUST 31, 2019

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

At August 31, 2019, the District reported a liability of \$2,379,109 for its proportionate share of the TRS's NPL. 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 NPL, the related State support, and the total portion of the NPL that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$	2,379,109
State's proportionate share that is associated with the District		4,492,342
Total	\$	<u>6,871,451</u>

The NPL was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the TPL used to calculate the NPL was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. The District's proportion of the NPL was based on the District's contributions to TRS relative to the contributions of all employers to TRS for the period September 1, 2017 through August 31, 2018.

At August 31, 2018, the District's proportion of the collective NPL was 0.0043223%, which was a decrease of 0.0002190% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the TPL since the prior measurement period.

- The TPL as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions, including post-retirement mortality, termination rates, and rates of retirement, were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions, including rates of salary increase for individual participants, were updated based on the same experience study.
- The discount rate changed from 8.000% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.00% to 7.25%.
- The change in the long-term assumed rate of return, combined with the change in the single discount rate, were the primary reasons for the increase in the NPL.

There were no changes of benefit terms that affected measurement of the TPL during the measurement period.

For the year ended August 31, 2019, the District recognized pension expense of \$444,622 and revenue of \$444,622 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 14,829	\$ (58,374)
Changes in actuarial assumptions	857,784	(26,806)
Difference between projected and actual investment earnings	-	(45,142)
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	192,423	(136,658)
Contributions paid to TRS subsequent to the measurement date	141,839	
Total	\$ <u>1,206,875</u>	\$ <u>(266,980)</u>

BRAZOS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

FOR THE YEAR ENDED AUGUST 31, 2019

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

Fiscal Year Ended August 31	Pension Expense
2020	\$ 226,645
2021	131,646
2022	104,263
2023	120,796
2024	128,219
Thereafter	86,487
Total	\$ 798,056

D. Defined Other Postemployment Benefit Plan

Plan Description

The District participates in TRS-Care. It is a multiple-employer, cost-sharing defined benefit OPEB plan that has a special funding situation. TRS-Care is administered through a trust by the TRS Board of Trustees (the "Board"). It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

Detailed information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and Required Supplementary Information. That report may be obtained on the Internet at 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.

Components of the net OPEB liability of TRS-Care as of August 31, 2018 are as follows:

Total OPEB liability	\$ 50,729,490,103
Less: plan fiduciary net position	798,574,633
Net OPEB Liability	\$ 49,930,915,470

Net position as a percentage of total OPEB liability 1.57%

Benefits Provided

TRS-Care provides a basic health insurance coverage, TRS-Care 1 (the "Basic Plan"), at no cost to all retirees from public schools, charter schools, regional education service centers, and other educational districts who are members of TRS. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits, TRS-Care 2 and TRS-Care 3 (the "Optional Health Insurance"). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least ten years of service credit in TRS. The Board is granted the authority to establish basic and optional group insurance coverage for participants, as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic postemployment benefit changes, including automatic cost-of-living adjustments.

BRAZOS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

FOR THE YEAR ENDED AUGUST 31, 2019

The premium rates for the Optional Health Insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage:

TRS-Care Plan Premium Rates Effective January 1, 2018 - December 31, 2018

	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and spouse	\$ 529	\$ 689
Retiree* and children	\$ 468	\$ 408
Retiree and family	\$ 1,020	\$ 999

*or surviving spouse

Contributions

Contribution rates for TRS-Care are established in state statute by the Texas Legislature and there is no continuing obligation to provide benefits beyond each fiscal year. TRS-Care is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the State, active employees, and school districts based upon public school district payroll. The TRS Board does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the State's contribution rate, which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate, which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to TRS-Care by type of contributor:

Contribution Rates		
	Fiscal Year	
	2018	2019
Active employee	0.65%	0.65%
NECE (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding remitted by employers	1.25%	1.25%

	Measurement Year (2018)	Fiscal Year (2019)
Employer contributions	\$ 51,948	\$ 47,289
Member contributions	\$ 32,798	\$ 32,895
NECE on-behalf contributions	\$ 59,166	\$ 63,261

In addition to the employer contributions listed above, there is an additional surcharge to which all TRS employers are subject (regardless of whether or not they participate in TRS-Care). When hiring a TRS retiree, employers are required to pay TRS-Care a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State as the NECE in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the fiscal year 2018-2019 biennium to continue to support TRS-Care. This was also received in fiscal year 2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

BRAZOS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, *Continued*

FOR THE YEAR ENDED AUGUST 31, 2019

Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

- A change was made in the measurement date of the total OPEB liability for the TRS 2018 fiscal year. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total OPEB liability to August 31, 2018. This was the first year the roll-forward procedures were used.
- The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the TRS pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability; and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in the OPEB valuation were identical to those used in the respective TRS pension valuation.
- The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale.
- Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and an initial medical trend rate of 6.75% for non-Medicare retirees were used. The initial prescription drug trend rate was 11.00% for all retirees. The first-year trend rate increase for the Medicare Advantage (medical) premiums reflects the anticipated return of the Health Insurer Fee (HIF) in 2020.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation that was rolled forward to August 31, 2018:

- | | |
|----------------------------------|----------------------------|
| 1. Rates of Mortality | 5. General Inflation |
| 2. Rates of Retirement | 6. Wage Inflation |
| 3. Rates of Termination | 7. Expected Payroll Growth |
| 4. Rates of Disability Incidence | |

Additional actuarial methods and assumptions are as follows:

Valuation date	8/31/2017 rolled forward to 8/31/2018
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Single discount rate	3.69%. Sourced from fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.
Aging factors	Based on plan-specific experience
Election rates	Normal retirement: 70% participation prior to age 65 and 75% participation after age 65.
Expenses	Third-party administrative expenses related to the delivery of healthcare benefits are included in the age-adjusted claims costs.
Projected salary increases*	3.05% to 9.05%, including inflation
Ad hoc postemployment benefit changes	None

BRAZOS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

FOR THE YEAR ENDED AUGUST 31, 2019

The impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.5%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25-basis point addition to the long-term trend rate assumption.

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27% in the discount rate since the previous year. Because TRS-Care is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the NECE are made at the statutorily required rates. Based on those assumptions, TRS-Care's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability

Discount Rate Sensitivity Analysis – The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability:

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of net OPEB liability	<u>\$ 4,475,603</u>	<u>\$ 3,759,926</u>	<u>\$ 3,193,778</u>

Healthcare Cost Trend Rates Sensitivity Analysis – The following presents the net OPEB liability of TRS-Care using the assumed healthcare cost trend rate of 8.5%, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than or 1% higher than the assumed healthcare cost trend rate:

	1% Decrease in Healthcare Cost Trend Rate	Current Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
District's proportionate share of net OPEB liability	<u>\$ 3,122,679</u>	<u>\$ 3,759,926</u>	<u>\$ 4,599,192</u>

OPEB Liability, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

At August 31, 2019, the District reported a liability of \$3,759,926 for its proportionate share of TRS-Care's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 3,759,926
State's proportionate share that is associated with the District	<u>4,288,454</u>
Total	<u><u>\$ 8,048,380</u></u>

The net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to TRS-Care relative to the contributions of all employers to TRS-Care for the period September 1, 2017 through August 31, 2018.

BRAZOS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

FOR THE YEAR ENDED AUGUST 31, 2019

At August 31, 2019, the employer's proportion of the collective net OPEB liability was 0.0075303%, compared to 0.0079650% as of August 31, 2018.

Changes Since the Prior Actuarial Valuation

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

- Adjustments were made for retirees that were known to have discontinued their healthcare coverage in fiscal year 2018. This change increased the total OPEB liability.
- The healthcare trend rate assumption was updated to reflect the anticipated return of the HIF in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the total OPEB liability by \$2.3 billion.

The following are changes in benefit terms since the prior measurement date effective September 1, 2017 by the 85th Texas Legislature:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed TRS-Care to provide other appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during plan years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the year ended August 31, 2019, the District recognized OPEB expense of \$155,988 and revenue of \$155,988 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of TRS-Care's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 199,525	\$ (59,337)
Changes in actuarial assumptions	62,743	(1,129,642)
Differences between projected and actual investment earnings	658	-
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	12	(238,556)
Contributions paid to TRS subsequent to the measurement date	47,289	-
Total	\$ 310,227	\$ (1,427,535)

BRAZOS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

FOR THE YEAR ENDED AUGUST 31, 2019

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

Fiscal Year Ended August 31	OPEB Expense
2020	\$ (177,655)
2021	(177,655)
2022	(177,655)
2023	(177,779)
2024	(177,853)
Thereafter	(276,000)
Total	\$ (1,164,597)

Medicare Part D Subsidies

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 TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2019, 2018, and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$19,534, \$15,874, and \$15,269, respectively.

E. Employee Health Care Coverage

During the year ended August 31, 2019, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$300 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the insurer is renewable September 1, 2019 and terms of coverage and premiums costs are included in the contractual provisions.

F. Workers' Compensation

During the year ended August 31, 2019, employees of the District covered by a Workers' Compensation Plan (the "Plan"). The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreements.

The contract between the District and the third-party administrator, Claims Administrative Services (CAS), acting on behalf of the self-funded pool, is renewable September 1, 2019, and terms, as well as costs of coverage, are included in the contractual provisions.

In accordance with state statutes, the District was protected against unanticipated catastrophic individual or aggregate loss by reinsurance coverage carried through Midwest Employers Casualty, a commercial insurer licensed or eligible to do business in the State of Texas in accordance with Texas Insurance Code. Reinsurance coverage was in effect for individual claims exceeding \$500,000 and for aggregate claims with a statutory limit of \$3,000,000. According to CAS, the unfunded claim benefit obligation included \$20,181 in claims that were unpaid and \$5,871 in estimated claims incurred, but not reported.

The claim liability is based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims which have been incurred but not reported based on historical experience. Changes in the claims liability for workers' compensation benefits for the current and prior fiscal year are summarized below.

Fiscal Year	Beginning of Year Accrual	Current Year Estimates	Claims Payment	End of Year Accrual
2018	\$ -	\$ 15,100	\$ 2,271	\$ 12,829
2019	\$ 12,829	\$ 18,698	\$ 11,346	\$ 20,181

BRAZOS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, *Continued*

FOR THE YEAR ENDED AUGUST 31, 2019

G. Unemployment Compensation

During the year ended August 31, 2019, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the unemployment compensation pool. For the year ended August 31, 2019, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2018 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

H. Tax Abatements

The District entered into a property tax abatement agreement (the "Agreement") with Fort Bend Solar, LLC (the "Company") on August 15, 2018. Fiscal year 2019 will be the first full year of the "Qualifying Time Period" which starts on August 15, 2018 and extends through December 31, 2020. The Company has agreed to have completed minimum qualified investments in the amount of \$10,000,000 by the end of the Qualifying Time Period. During this period of time, taxes will be levied at one-hundred percent. Beginning on January 1, 2021 and extending through December 31, 2030 will be the "Tax Limitation Period". The total estimated amount of capital investments over the life of the Agreement is projected to be \$201,477,014. The valuation limitation during the ten-year Tax Limitation Period shall not exceed the lessor of the market value of the Company's qualified property or \$20,000,000, for the purposes of computing the tax levy for the maintenance and operations tax. Beginning in fiscal year 2022, the first year of the Tax Limitation Period, the Company's estimated property value will be \$187,575,100 without considering the limit and \$20,000,000 with the limit. The projected amount of the net taxes forgone by the District will be \$7,306,349 over the life of the Agreement, however, that will be offset by the increase in State funding through the Foundation School Program funding formula. The Company has agreed to compensate the District, as outlined within the Agreement, for any losses incurred in its maintenance and operations revenue as a result of, or on account of, entering into the Agreement. In addition to the tax abatement, the Company has agreed to make annual supplemental payments starting with the beginning of the Qualifying Time Period and continuing through the third year following the end of the Tax Limitation Period. The total of the supplemental payments shall not exceed for any calendar year of the Agreement an amount equal to the greater of \$100 per student per year in average daily attendance, as defined by Section 42.005 of the Texas Education Code, or \$50,000. The Company has also committed to paying an average weekly wage of at least \$969 for all new non-qualifying jobs as defined in the Agreement.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

BRAZOS INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 3,173,200	\$ 3,217,570	\$ 3,416,160	\$ 198,590
5800	State Program Revenues	5,317,571	5,324,762	5,580,118	255,356
5900	Federal Program Revenues	190,000	190,000	286,548	96,548
5020	Total Revenues	8,680,771	8,732,332	9,282,826	550,494
EXPENDITURES:					
Current:					
Instruction and Instructional Related Services:					
0011	Instruction	4,136,044	4,142,736	4,064,560	78,176
0012	Instructional Resources and Media Services	84,734	84,734	70,454	14,280
0013	Curriculum and Staff Development	10,500	10,500	4,545	5,955
	Total Instruction and Instr. Related Services	4,231,278	4,237,970	4,139,559	98,411
Instructional and School Leadership:					
0021	Instructional Leadership	121,656	121,656	119,950	1,706
0023	School Leadership	607,104	587,104	547,668	39,436
	Total Instructional and School Leadership	728,760	708,760	667,618	41,142
Support Services - Student (Pupil):					
0031	Guidance, Counseling, and Evaluation Services	308,455	314,955	314,483	472
0033	Health Services	100,847	100,847	85,113	15,734
0034	Student (Pupil) Transportation	542,809	797,999	786,106	11,893
0036	Cocurricular/Extracurricular Activities	558,456	562,454	545,650	16,804
	Total Support Services - Student (Pupil)	1,510,567	1,776,255	1,731,352	44,903
Administrative Support Services:					
0041	General Administration	394,249	394,249	376,553	17,696
	Total Administrative Support Services	394,249	394,249	376,553	17,696
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,080,788	1,074,788	1,046,450	28,338
0052	Security and Monitoring Services	--	7,500	5,631	1,869
0053	Data Processing Services	144,495	144,495	129,409	15,086
	Total Support Services - Nonstudent Based	1,225,283	1,226,783	1,181,490	45,293
Debt Service:					
0071	Principal on Long-Term Debt	67,928	67,928	67,927	1
0072	Interest on Long-Term Debt	4,824	4,824	4,824	--
	Total Debt Service	72,752	72,752	72,751	1
Capital Outlay:					
0081	Capital Outlay	--	52,372	51,214	1,158
	Total Capital Outlay	--	52,372	51,214	1,158
0099	Other Intergovernmental Charges	80,500	80,500	74,140	6,360
	Total Intergovernmental Charges	80,500	80,500	74,140	6,360
6030	Total Expenditures	8,243,389	8,549,640	8,294,677	254,963
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	437,382	182,692	988,149	805,457

BRAZOS INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	Other Financing Sources (Uses):				
8911	Transfers Out	(151,421)	(151,421)	(100,059)	51,362
7080	Total Other Financing Sources and (Uses)	(151,421)	(151,421)	(100,059)	51,362
1200	Net Change in Fund Balance	285,961	31,271	888,090	856,819
0100	Fund Balance - Beginning	3,172,290	3,172,290	3,172,290	--
3000	Fund Balance - Ending	<u>\$ 3,458,251</u>	<u>\$ 3,203,561</u>	<u>\$ 4,060,380</u>	<u>\$ 856,819</u>

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

BRAZOS INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)
FOR THE YEAR ENDED AUGUST 31, 2019*

	Measurement Year*			
	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0043223%	0.0045414%	0.0046022%	0.0051227%
District's proportionate share of the net pension liability (asset)	\$ 2,379,109	\$ 1,452,080	\$ 1,739,108	\$ 1,810,806
State's proportionate share of the net pension liability (asset) associated with the District	4,492,342	2,752,853	3,353,697	3,100,612
Total	<u>\$ 6,871,451</u>	<u>\$ 4,204,933</u>	<u>\$ 5,092,805</u>	<u>\$ 4,911,418</u>
District's covered payroll**	\$ 5,045,825	\$ 5,073,245	\$ 5,028,464	\$ 5,267,393
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	47.15%	28.62%	34.59%	34.38%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%

* Only five years' worth of information currently available.

** As of the measurement date.

Notes to Required Supplementary Information:

Changes in Assumptions:

There were changes in assumptions or other inputs that affected measurement of the total net pension liability (TPL) since the prior measurement period.

The TPL as of August 31, 2018 was developed using roll-forward method from the August 31, 2017 valuation.

Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.

Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.

The discount rate changed from 8.00% as of August 31, 2017 to 6.907% as of August 31, 2018.

The long-term assumed rate of return changed from 8.00% to 7.25%.

The change in the long-term assumed rate of return, combined with the change in the single discount rate, were the primary reasons for the increase in the net pension liability.

Changes in Benefits:

There were no changes of benefit terms that affected measurement of the TPL during the measurement period.

EXHIBIT G-2

<u>2014</u>	
0.0034091%	
\$	910,618
3,010,477	
\$	<u>3,921,095</u>
\$	5,570,206
16.35%	
83.25%	

BRAZOS INDEPENDENT SCHOOL DISTRICT*SCHEDULE OF DISTRICT CONTRIBUTIONS**TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)**FOR THE YEAR ENDED AUGUST 31, 2019*

	Fiscal Year				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 141,839	\$ 145,608	\$ 147,416	\$ 146,224	\$ 101,625
Contributions in relation to the contractually required contribution	141,839	145,608	147,416	146,224	101,625
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered payroll	\$ 5,060,840	\$ 5,045,825	\$ 5,073,245	\$ 5,028,464	\$ 5,267,393
Contributions as a percentage of covered payroll	2.80%	2.89%	2.91%	2.91%	1.93%

EXHIBIT G-3

Fiscal Year				
2014	2013	2012	2011	2010
\$ 69,567	\$ 71,200	\$ 39,543	\$ 49,388	\$ 45,882
69,567	71,200	39,543	49,388	45,882
\$ --	\$ --	\$ --	\$ --	\$ --
\$ 5,570,206	\$ 5,320,891	\$ 5,003,776	\$ 5,235,377	\$ 5,213,996
1.25%	1.34%	0.79%	0.94%	0.88%

BRAZOS INDEPENDENT SCHOOL DISTRICT*SCHEDULE OF THE DISTRICT'S PROPORTIONATE**SHARE OF THE NET OPEB LIABILITY**TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PROGRAM (TRS-Care)**FOR THE YEAR ENDED AUGUST 31, 2019*

	Measurement Year*	
	2018	2017
District's proportion of the collective net OPEB liability	0.0075303%	0.0079650%
District's proportionate share of the collective net OPEB liability	\$ 3,759,926	\$ 3,463,669
State proportionate share of the collective net OPEB liability associated with the District	4,288,454	3,942,273
Total	<u>\$ 8,048,380</u>	<u>\$ 7,405,942</u>
District's covered payroll**	\$ 5,045,825	\$ 5,073,245
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	74.52%	68.27%
Plan fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%

* Only two years' worth of information is currently available.

** As of measurement date.

Notes to Required Supplementary Information:*Changes in Assumptions*

There were changes in assumptions that affected measurement of the total OPEB liability during the measurement period.

- Adjustments were made for retirees that were known to have discontinued their healthcare coverage in fiscal year 2018. This change increased the total OPEB liability.
- The healthcare trend rate assumption was updated to reflect the anticipated return of the HIF in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the total OPEB liability to \$2.3 billion.

Changes in Benefits

There were changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventative drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed TRS-Care to provide other appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during plan years 2018 and through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

BRAZOS INDEPENDENT SCHOOL DISTRICT*SCHEDULE OF DISTRICT CONTRIBUTIONS**TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PROGRAM (TRS-Care)**FOR THE YEAR ENDED AUGUST 31, 2019*

	Fiscal Year*	
	2019	2018
Statutorily or contractually required District contribution	\$ 47,289	\$ 51,948
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	47,289	51,948
Contribution deficiency (excess)	\$ --	\$ --
District's covered payroll	\$ 5,060,840	\$ 5,045,825
Contributions as a percentage of covered payroll	0.93%	1.03%

* Only two years' worth of information is currently available.

*Combining Statements
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

BRAZOS INDEPENDENT SCHOOL DISTRICT**COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS****AUGUST 31, 2019**

Data Control Codes		211	224	225
		ESEA Title I Improving Basic Programs	IDEA-B Formula	IDEA-B Preschool Grant
ASSETS:				
1110	Cash and Cash Equivalents	\$ --	\$ --	\$ --
1240	Due from Other Governments	--	--	--
1000	Total Assets	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ --	\$ --	\$ --
2160	Accrued Wages Payable	--	--	--
2200	Accrued Expenditures	--	--	--
2000	Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	--	--	--
3490	Other Restrictions of Fund Balance	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

226 IDEA-B Discretionary	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	289 Title IV Part A Subpart 1
\$ --	\$ 108,839	\$ --	\$ --	\$ --
--	--	--	--	--
\$ --	\$ 108,839	\$ --	\$ --	\$ --
\$ --	\$ 16,494	\$ --	\$ --	\$ --
--	442	--	--	--
--	41	--	--	--
--	16,977	--	--	--
--	91,862	--	--	--
--	--	--	--	--
--	91,862	--	--	--
\$ --	\$ 108,839	\$ --	\$ --	\$ --

BRAZOS INDEPENDENT SCHOOL DISTRICT**COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS**

AUGUST 31, 2019

Data Control Codes	410 State Textbook	461 Campus Activity	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ 777	\$ 42,849	\$ 152,465
1240 <i>Due from Other Governments</i>	22,258	--	22,258
1000 Total Assets	<u>\$ 23,035</u>	<u>\$ 42,849</u>	<u>\$ 174,723</u>
LIABILITIES:			
Current Liabilities:			
2110 <i>Accounts Payable</i>	\$ 23,035	\$ --	\$ 39,529
2160 <i>Accrued Wages Payable</i>	--	--	442
2200 <i>Accrued Expenditures</i>	--	--	41
2000 Total Liabilities	<u>23,035</u>	<u>--</u>	<u>40,012</u>
FUND BALANCES:			
Restricted Fund Balances:			
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	91,862
3490 <i>Other Restrictions of Fund Balance</i>	--	42,849	42,849
3000 Total Fund Balances	<u>--</u>	<u>42,849</u>	<u>134,711</u>
4000 Total Liabilities and Fund Balances	<u>\$ 23,035</u>	<u>\$ 42,849</u>	<u>\$ 174,723</u>

BRAZOS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	--
5900 <i>Federal Program Revenues</i>	121,855	185,637	8,360
5020 Total Revenues	<u>121,855</u>	<u>185,637</u>	<u>8,360</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	121,855	185,637	8,360
0023 <i>School Leadership</i>	--	--	--
0035 <i>Food Service</i>	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--
0041 <i>General Administration</i>	--	--	--
6030 Total Expenditures	<u>121,855</u>	<u>185,637</u>	<u>8,360</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>--</u>	<u>--</u>	<u>--</u>
1200 Net Change in Fund Balances	--	--	--
0100 Fund Balances - Beginning	--	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

226 IDEA-B Discretionary	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	289 Title IV Part A Subpart 1
\$ --	\$ 165,556	\$ --	\$ --	\$ --
--	16,699	--	--	--
3,000	400,675	19,571	6,747	12,747
<u>3,000</u>	<u>582,930</u>	<u>19,571</u>	<u>6,747</u>	<u>12,747</u>
3,000	--	18,648	6,747	12,747
--	--	923	--	--
--	543,859	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>3,000</u>	<u>543,859</u>	<u>19,571</u>	<u>6,747</u>	<u>12,747</u>
--	39,071	--	--	--
--	39,071	--	--	--
--	52,791	--	--	--
<u>\$ --</u>	<u>\$ 91,862</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

BRAZOS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	410 State Textbook	461 Campus Activity	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ 53,062	\$ 218,618
5800 <i>State Program Revenues</i>	140,940	--	157,639
5900 <i>Federal Program Revenues</i>	--	--	758,592
5020 <i>Total Revenues</i>	<u>140,940</u>	<u>53,062</u>	<u>1,134,849</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	140,943	--	497,937
0023 <i>School Leadership</i>	--	--	923
0035 <i>Food Service</i>	--	--	543,859
0036 <i>Cocurricular/Extracurricular Activities</i>	--	57,853	57,853
0041 <i>General Administration</i>	--	600	600
6030 <i>Total Expenditures</i>	<u>140,943</u>	<u>58,453</u>	<u>1,101,172</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	(3)	(5,391)	33,677
1200 <i>Net Change in Fund Balances</i>	<u>(3)</u>	<u>(5,391)</u>	<u>33,677</u>
0100 <i>Fund Balances - Beginning</i>	3	48,240	101,034
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ 42,849</u>	<u>\$ 134,711</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

BRAZOS INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2019*

Year Ended August 31	1	2	3
	Tax Rates		Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service	
2010 and Prior Years	Various	Various	Various
2011	\$ 1.04	\$.3280	\$ 317,655,077
2012	\$ 1.04	\$.3551	\$ 290,674,947
2013	\$ 1.0401	\$.3929	\$ 309,925,275
2014	\$ 1.0401	\$.3596	\$ 318,158,571
2015	\$ 1.04	\$.3817	\$ 302,619,387
2016	\$ 1.04	\$.3841	\$ 280,225,162
2017	\$ 1.04	\$.4598	\$ 255,795,327
2018	\$ 1.04	\$.39	\$ 277,752,848
2019 (School Year Under Audit)	\$ 1.04	\$.40	\$ 298,040,524

1000 Totals

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

10 Beginning Balance 9/1/18	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/19
\$ 81,855	\$ --	\$ 2,220	\$ 786	\$ (10,502)	\$ 68,347
18,062	--	1,796	566	(17)	15,683
14,111	--	722	247	(49)	13,093
19,619	--	(3,897)	(1,472)	(8,793)	16,195
16,612	--	1,499	518	5,875	20,470
23,923	--	6,937	2,546	9,760	24,200
31,667	--	9,155	3,381	7,839	26,970
72,025	--	21,540	9,523	8,536	49,498
148,642	--	56,836	21,314	(4,197)	66,295
--	4,291,784	2,996,944	1,152,671	--	142,169
<u>\$ 426,516</u>	<u>\$ 4,291,784</u>	<u>\$ 3,093,752</u>	<u>\$ 1,190,080</u>	<u>\$ 8,452</u>	<u>\$ 442,920</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

BRAZOS INDEPENDENT SCHOOL DISTRICT

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT J-2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 170,700	\$ 170,700	\$ 165,556	\$ (5,144)
5800	State Program Revenues	17,600	17,600	16,699	(901)
5900	Federal Program Revenues	350,000	350,000	400,675	50,675
5020	Total Revenues	538,300	538,300	582,930	44,630
	EXPENDITURES:				
	Current:				
	Support Services - Student (Pupil):				
0035	Food Services	584,721	584,721	543,859	40,862
	Total Support Services - Student (Pupil)	584,721	584,721	543,859	40,862
6030	Total Expenditures	584,721	584,721	543,859	40,862
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(46,421)	(46,421)	39,071	85,492
	Other Financing Sources (Uses):				
7915	Transfers In	46,421	46,421	--	(46,421)
7080	Total Other Financing Sources and (Uses)	46,421	46,421	--	(46,421)
1200	Net Change in Fund Balance	--	--	39,071	39,071
0100	Fund Balance - Beginning	52,791	52,791	52,791	--
3000	Fund Balance - Ending	\$ 52,791	\$ 52,791	\$ 91,862	\$ 39,071

BRAZOS INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 1,083,841	\$ 1,083,841	\$ 1,222,651	\$ 138,810
5800	State Program Revenues	--	--	33,227	33,227
5020	Total Revenues	1,083,841	1,083,841	1,255,878	172,037
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	600,900	600,900	600,000	900
0072	Interest on Long-Term Debt	471,008	471,008	471,008	--
0073	Bond Issuance Costs and Fees	2,100	2,100	2,100	--
	Total Debt Service	1,074,008	1,074,008	1,073,108	900
6030	Total Expenditures	1,074,008	1,074,008	1,073,108	900
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	9,833	9,833	182,770	172,937
1200	Net Change in Fund Balance	9,833	9,833	182,770	172,937
0100	Fund Balance - Beginning	673,390	673,390	673,390	--
3000	Fund Balance - Ending	\$ 683,223	\$ 683,223	\$ 856,160	\$ 172,937

***FEDERAL AWARDS AND
OTHER COMPLIANCE SECTION***



**INDEPENDENT AUDITORS' 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**

January 17, 2020

To the Board of Trustees of
Brazos Independent School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brazos Independent School District (the "District"), as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 17, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

The logo features the names 'Belt', 'Harris', and 'Pechacek' in a large, elegant, cursive script. The word 'HARRIS' is written in a smaller, all-caps, serif font and is positioned between 'Belt' and 'Pechacek'. To the right of 'Pechacek' is the text 'LLP' in a small, all-caps, sans-serif font.

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas



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

January 17, 2020

To the Board of Trustees of
Brazos Independent School District:

Report on Compliance for Each Major Federal Program

We have audited Brazos Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2019. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The logo for Belt Harris Pechacek, LLP features the company name in a stylized, cursive font. The letters 'B', 'H', and 'P' are significantly larger and more ornate than the other letters, which are in a smaller, simpler font. The full name 'BELT HARRIS PECHACEK, LLP' is written in a serif font below the stylized letters.

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas

BRAZOS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2019

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditors' report issued on compliance for major programs: Unmodified

Version of compliance supplement used in audit: August 2019

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553 and 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

BRAZOS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2019

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None to report.		

BRAZOS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
CHILD NUTRITION CLUSTER:			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
<i>School Breakfast Program</i>	10.553	806780706	\$ 100,121
<i>National School Lunch Program</i>	10.555	806780706	271,098
Total Passed Through State Department of Education			371,219
Total U. S. Department of Agriculture			371,219
Total Child Nutrition Cluster			371,219
FOOD DISTRIBUTION CLUSTER:			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
<i>Commodity Supplemental Food Program (Non-cash)</i>	10.565	806780706	29,456
Total Passed Through State Department of Education			29,456
Total U. S. Department of Agriculture			29,456
Total Food Distribution Cluster			29,456
SPECIAL EDUCATION (IDEA) CLUSTER:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
<i>IDEA-B Discretionary</i>	84.027	66001715	3,000
<i>IDEA-B Formula</i>	84.027	196600010089036600	185,637
Total CFDA Number 84.027			188,637
<i>IDEA-B Preschool</i>	84.173	196610010089036610	8,360
Total Passed Through State Department of Education			196,997
Total U. S. Department of Education			196,997
Total Special Education (IDEA) Cluster			196,997
OTHER PROGRAMS:			
<u>U. S. Department of Education</u>			
Direct Program:			
<i>Title IV, Part A, Subpart 1</i>	84.424	19680101008903	12,747
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010	19610101008903	121,855
<i>Title III Part A English Language Acquisition and Language Enhancement</i>	84.365	19671001008903	6,747
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367	19694501008903	19,571
Total Passed Through State Department of Education			148,173
Total U. S. Department of Education			160,920
<u>Federal Communications Commission</u>			
Passed Through State Department of Education:			
<i>Universal E-Rate</i>	32.000	008-903	26,688
Total Passed Through State Department of Education			26,688
Total Federal Communications Commission			26,688
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 785,280
Federal revenue per SEFA			\$ 785,280
SHARs in general fund			259,860
Federal revenue per Exhibit C-2			\$ 1,045,140

The accompanying notes are an integral part of this schedule.

BRAZOS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2019

Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the District. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the SEFA, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

BRAZOS INDEPENDENT SCHOOL DISTRICT*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2019*

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state, or federal funds?	No
SF7	Did the District make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the District <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year end?	\$ 1,005,143
SF11	Net Pension Asset (object 1920) at fiscal year end.	\$ --
SF12	Net Pension Liability (object 2540) at fiscal year end.	\$ 2,379,109

