

BRACKETT INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
JUNE 30, 2020

**BRACKETT INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020**

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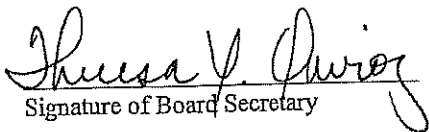
CERTIFICATE OF BOARD

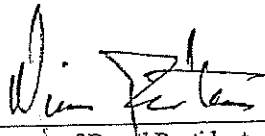
Brackett Independent School District
Name of School District

Kinney
County

136901
Co. Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended June 30, 2020 at a meeting of the Board of Trustees of such school district on the 14 of September, 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)

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Brackett Independent School District
201 N Ann Street
Brackettville, Texas 78832

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brackett Independent School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Brackett Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Brackett Independent School District, as of June 30, 2020, 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, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District's Contributions for Pensions, Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District's Contributions for Other Post-Employment Benefits on pages 6–11 and 44–50 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 Brackett Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Texas Education Agency requires school Districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibit J-1 through J-2. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2020, on our consideration of the Brackett Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Brackett Independent School 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 Brackett Independent School District's internal control over financial reporting and compliance.

Coleman, Horton + Company, LLP

Uvalde, Texas
August 7, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The annual financial report of Brackett Independent School District (the District) is presented in six sections, management's discussion and analysis (this part), basic financial statements, required supplementary information, combining and other schedules, T.E.A. required schedules, and the federal section. This section of the District's annual financial report presents our discussion and analysis of the financial performance during the fiscal year ending June 30, 2020. Please read it in conjunction with the District's financial section, which follows.

Overview of the Basic Financial Statements

The basic financial 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.

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

Government-wide 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 government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Districts *net position* and how it has changed. Net position - the difference between the Districts assets and deferred outflows less the liabilities and deferred inflows is one way to measure the Districts financial health or *position*.

- * Over time, increases or decreases in the Districts net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- * To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the Districts tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the Districts basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

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

- * Some funds are required by State law and by bond covenants.
- * The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two types of funds:

- * *Governmental funds*-Most of the Districts 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 Districts programs. Because this information does not encompass the additional long-term focus of government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, then explain the relationship (or differences) between them.

- * *Fiduciary funds*-The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that-because of a trust agreement-can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Districts 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 Districts government-wide financial statements because the District cannot use these assets to finance its operations.

Financial Highlights

- * The Districts combined net position was \$7,373,854 at June 30, 2020, an increase of \$497,483.
- * During the year, the District's revenues were \$9,376,640 as reflected below:

| | Governmental Activities | | |
|-------------------------|--------------------------------|-----------------------|---------------------|
| | Current Year | Prior Year | Change |
| a) Taxes | \$ 4,285,448 | \$ 3,180,240 | \$ 1,105,208 |
| b) State revenue | 3,898,493 | 3,466,230 | 432,263 |
| c) Federal revenue | 588,804 | 721,409 | (132,605) |
| d) Investment earnings | 74,536 | 106,597 | (32,061) |
| e) Charges for services | 223,988 | 437,218 | (213,230) |
| f) Other revenue | 305,371 | 39,232 | 266,139 |
| Total | <u>\$ 9,376,640</u> | <u>\$ 7,950,926</u> | <u>\$ 1,425,714</u> |

- * During the year, the District's expenses were \$8,879,157 as reflected below:

| | Governmental Activities | | |
|---|--------------------------------|-----------------------|-------------------|
| | Current Year | Prior Year | Change |
| a) Instruction and instructional related | \$ 4,783,158 | \$ 4,672,470 | \$ 110,688 |
| b) Instruction and school leadership | 422,980 | 490,182 | (67,202) |
| c) Guidance, social work, health, transportation | 508,514 | 552,502 | (43,988) |
| d) Food services | 412,379 | 367,414 | 44,965 |
| e) Extracurricular activities | 395,628 | 458,489 | (62,861) |
| f) General administration | 565,123 | 541,390 | 23,733 |
| g) Plant maintenance and security | 1,407,021 | 1,349,141 | 57,880 |
| h) Data processing service | 172,706 | 157,957 | 14,749 |
| i) Community Services | 121 | - | 121 |
| i) Debt Service | 99,968 | - | 99,968 |
| j) Payments to fiscal agent/member districts - shared service | 111,559 | 111,477 | 82 |
| Total Expenses | <u>\$ 8,879,157</u> | <u>\$ 8,701,022</u> | <u>\$ 178,135</u> |

- * The general fund reported a fund balance of \$4,681,089, an increase of \$921,026 from the prior year.
- * The general fund transferred \$75,000 to the food service fund during the year.
- * The property tax rate decreased \$.07 cents. The taxable value increased during the year by \$129,464,885. The tax levy increased by \$1,035,437.
- * The District's combined net position was \$7,373,854 at June 30, as reflected below:

| | Governmental Activities | | |
|----------------------------------|--------------------------------|-----------------------|---------------------|
| | Current Year | Prior Year | Change |
| Current and other assets | \$ 5,465,622 | \$ 4,565,002 | \$ 900,620 |
| Capital and non-current assets | 8,454,528 | 7,292,691 | 1,161,837 |
| Total Assets | <u>\$ 13,920,150</u> | <u>\$ 11,857,693</u> | <u>\$ 2,062,457</u> |
| Deferred outflows | <u>\$ 1,845,960</u> | <u>\$ 1,670,361</u> | <u>\$ 175,599</u> |
| Current Liabilities | \$ 511,768 | \$ 558,262 | \$ (46,494) |
| Long term liabilities | 6,185,138 | 4,996,201 | 1,188,937 |
| Total Liabilities | <u>\$ 6,696,906</u> | <u>\$ 5,554,463</u> | <u>\$ 1,142,443</u> |
| Deferred inflows | <u>\$ 1,695,350</u> | <u>\$ 1,097,220</u> | <u>\$ 598,130</u> |
| Net position: | | | |
| Net investment in capital assets | \$ 7,229,528 | \$ 7,292,691 | \$ (63,163) |
| Restricted | 93,977 | 86,983 | 6,994 |
| Unrestricted | 50,349 | (503,303) | 553,652 |
| Total Net Position | <u>\$ 7,373,854</u> | <u>\$ 6,876,371</u> | <u>\$ 497,483</u> |

Capital Assets and Debt Administration

Capital Assets

Capital assets for the District as of June 30, 2020 were \$8,454,528. It is the District's policy to charge off as a current expenditure any purchases less than \$5,000. The total capital assets recorded were land and its improvements, buildings, equipment and vehicles as reflected below:

District's Capital Assets

| | Governmental Activities | | |
|--------------------------------|--------------------------------|-----------------------|---------------------|
| | Current Year | Prior Year | Change |
| Land | \$ 580,991 | \$ 580,991 | \$ - |
| Buildings and improvements | 15,624,632 | 14,065,356 | 1,559,276 |
| Equipment and vehicles | <u>1,993,817</u> | <u>1,993,817</u> | <u>-</u> |
| Totals at historical cost | 18,199,440 | 16,640,164 | 1,559,276 |
| Total accumulated depreciation | <u>(9,744,912)</u> | <u>(9,347,473)</u> | <u>(397,439)</u> |
| Net capital assets | <u>\$ 8,454,528</u> | <u>\$ 7,292,691</u> | <u>\$ 1,161,837</u> |

Long-term Debt

The District had the following long-term debt obligations as of June 30, 2020:

District's Long-Term Liabilities

| | Governmental Activities | | |
|-----------------------------|--------------------------------|-----------------------|---------------------|
| | Current Year | Prior Year | Change |
| Maintenance Tax Notes | \$ 1,225,000 | \$ - | \$ 1,225,000 |
| Total Long-Term Liabilities | <u>\$ 1,225,000</u> | <u>\$ -</u> | <u>\$ 1,225,000</u> |

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$1,315,425 below final budget amounts. The most significant positive variance resulted from staffing, budget efficiencies, and the expected facility repairs which will now be expended in the 2020-21 year. Additionally, resources available were \$1,174,125 more than the final budgeted amounts.

- * Local revenue sources were \$144,337 less than expected.
- * State funding was more than budgeted amounts by \$1,359,076.
- * Federal revenue was \$40,614 less than budgeted.

Contacting the Districts Financial Management

This financial report is designed for customers, investors, and creditors with a general overview of the District's finances and to demonstrate the Districts accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Districts Business Services department.

BASIC FINANCIAL STATEMENTS

BRACKETT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

EXHIBIT A-1

| Data Control Codes | Primary Government Governmental Activities |
|--|--|
| ASSETS | |
| 1110 Cash and Cash Equivalents | \$ 878,019 |
| 1120 Current Investments | 3,393,732 |
| 1220 Property Taxes - Delinquent | 233,106 |
| 1230 Allowance for Uncollectible Taxes | (23,311) |
| 1240 Due from Other Governments | 910,383 |
| 1410 Prepayments | 73,693 |
| Capital Assets: | |
| 1510 Land | 580,991 |
| 1520 Buildings, Net | 7,255,726 |
| 1530 Furniture and Equipment, Net | 617,811 |
| 1000 Total Assets | 13,920,150 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| 1705 Deferred Outflow Related to TRS Pension | 886,112 |
| 1706 Deferred Outflow Related to TRS OPEB | 959,848 |
| 1700 Total Deferred Outflows of Resources | 1,845,960 |
| LIABILITIES | |
| 2110 Accounts Payable | 197,527 |
| 2140 Interest Payable | 11,146 |
| 2160 Accrued Wages Payable | 286,813 |
| 2200 Accrued Expenses | 16,282 |
| Noncurrent Liabilities: | |
| 2501 Due Within One Year | 75,000 |
| 2502 Due in More Than One Year | 1,150,000 |
| 2540 Net Pension Liability (District's Share) | 1,851,560 |
| 2545 Net OPEB Liability (District's Share) | 3,108,578 |
| 2000 Total Liabilities | 6,696,906 |
| DEFERRED INFLOWS OF RESOURCES | |
| 2605 Deferred Inflow Related to TRS Pension | 350,533 |
| 2606 Deferred Inflow Related to TRS OPEB | 1,344,817 |
| 2600 Total Deferred Inflows of Resources | 1,695,350 |
| NET POSITION | |
| 3200 Net Investment in Capital Assets | 7,229,528 |
| 3820 Restricted for Federal and State Programs | 30,543 |
| 3860 Restricted for Capital Projects | 3,434 |
| 3890 Restricted for Other Purposes | 60,000 |
| 3900 Unrestricted | 50,349 |
| 3000 Total Net Position | \$ 7,373,854 |

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

BRACKETT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

EXHIBIT B-1

| Data | Program Revenues | | | Net (Expense) |
|---------|------------------|-------------------------|--|---|
| Control | 1 | 3 | 4 | 6 |
| Codes | Expenses | Charges for Services | Operating Grants and Contributions | Revenue and Changes in Net Position Primary Gov. Governmental Activities |

Primary Government:

GOVERNMENTAL ACTIVITIES:

| | | | | |
|---|--------------|------------|------------|----------------|
| 11 Instruction | \$ 4,668,986 | \$ 143,059 | \$ 254,045 | \$ (4,271,882) |
| 12 Instructional Resources and Media Services | 51,266 | - | - | (51,266) |
| 13 Curriculum and Instructional Staff Development | 62,906 | - | - | (62,906) |
| 21 Instructional Leadership | 2,382 | - | - | (2,382) |
| 23 School Leadership | 420,598 | - | - | (420,598) |
| 31 Guidance, Counseling and Evaluation Services | 127,791 | - | - | (127,791) |
| 32 Social Work Services | 34,672 | - | 33,695 | (977) |
| 33 Health Services | 54,824 | - | - | (54,824) |
| 34 Student (Pupil) Transportation | 291,227 | - | - | (291,227) |
| 35 Food Services | 412,379 | 54,718 | 227,248 | (130,413) |
| 36 Extracurricular Activities | 395,628 | 24,991 | - | (370,637) |
| 41 General Administration | 565,123 | - | - | (565,123) |
| 51 Facilities Maintenance and Operations | 1,359,747 | 1,220 | 19,086 | (1,339,441) |
| 52 Security and Monitoring Services | 47,274 | - | 11,428 | (35,846) |
| 53 Data Processing Services | 172,706 | - | - | (172,706) |
| 61 Community Services | 121 | - | - | (121) |
| 72 Debt Service - Interest on Long-Term Debt | 23,138 | - | - | (23,138) |
| 73 Debt Service - Bond Issuance Cost and Fees | 76,830 | - | - | (76,830) |
| 93 Payments Related to Shared Services Arrangements | 111,559 | - | - | (111,559) |
| [TP] TOTAL PRIMARY GOVERNMENT: | \$ 8,879,157 | \$ 223,988 | \$ 545,502 | \$ (8,109,667) |

| Data | General Revenues: | | |
|---------|--|--|--------------|
| Control | | | |
| Codes | Taxes: | | |
| MT | Property Taxes, Levied for General Purposes | | 4,285,448 |
| SF | State Aid - Formula Grants | | 3,107,394 |
| GC | Grants and Contributions not Restricted | | 834,401 |
| IE | Investment Earnings | | 74,536 |
| MI | Miscellaneous Local and Intermediate Revenue | | 305,371 |
| TR | Total General Revenues | | 8,607,150 |
| CN | Change in Net Position | | 497,483 |
| NB | Net Position - Beginning | | 6,876,371 |
| NE | Net Position - Ending | | \$ 7,373,854 |

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

BRACKETT INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

| Data Control Codes | 10 General Fund | Other Funds | Total Governmental Funds |
|--|-----------------------|-------------------|--------------------------------|
| ASSETS | | | |
| 1110 Cash and Cash Equivalents | \$ 891,960 | \$ (13,941) | \$ 878,019 |
| 1120 Investments - Current | 3,393,732 | - | 3,393,732 |
| 1220 Property Taxes - Delinquent | 233,106 | - | 233,106 |
| 1230 Allowance for Uncollectible Taxes | (23,311) | - | (23,311) |
| 1240 Due from Other Governments | 773,686 | 136,697 | 910,383 |
| 1260 Due from Other Funds | 2,402 | - | 2,402 |
| 1410 Prepayments | 73,693 | - | 73,693 |
| 1000 Total Assets | <u>\$ 5,345,268</u> | <u>\$ 122,756</u> | <u>\$ 5,468,024</u> |
| LIABILITIES | | | |
| 2110 Accounts Payable | \$ 196,349 | \$ 1,178 | \$ 197,527 |
| 2160 Accrued Wages Payable | 258,683 | 28,130 | 286,813 |
| 2170 Due to Other Funds | 2,402 | - | 2,402 |
| 2200 Accrued Expenditures | 13,377 | 2,905 | 16,282 |
| 2000 Total Liabilities | <u>470,811</u> | <u>32,213</u> | <u>503,024</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| 2601 Unavailable Revenue - Property Taxes | 193,368 | - | 193,368 |
| 2600 Total Deferred Inflows of Resources | <u>193,368</u> | <u>-</u> | <u>193,368</u> |
| FUND BALANCES | | | |
| Restricted Fund Balance: | | | |
| 3450 Federal or State Funds Grant Restriction | - | 30,543 | 30,543 |
| 3470 Capital Acquisition and Contractual Obligation | 3,434 | - | 3,434 |
| 3490 Other Restricted Fund Balance | - | 60,000 | 60,000 |
| Committed Fund Balance: | | | |
| 3510 Construction | 1,500,000 | - | 1,500,000 |
| 3520 Claims and Judgements | 100,000 | - | 100,000 |
| 3530 Capital Expenditures for Equipment | 150,000 | - | 150,000 |
| 3600 Unassigned Fund Balance | 2,927,655 | - | 2,927,655 |
| 3000 Total Fund Balances | <u>4,681,089</u> | <u>90,543</u> | <u>4,771,632</u> |
| 4000 Total Liabilities, Deferred Inflows & Fund Balances | <u>\$ 5,345,268</u> | <u>\$ 122,756</u> | <u>\$ 5,468,024</u> |

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

BRACKETT INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2020

EXHIBIT C-2

| | | |
|---|-----------|------------------|
| Total Fund Balances - Governmental Funds | \$ | 4,771,632 |
| 1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$16,640,164 and the accumulated depreciation was (\$9,347,473). The net effect of including the beginning balances for capital assets (net of depreciation) is to increase net position. | | 7,292,691 |
| 2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and decreases in long-term debt in the government-wide financial statements. The net effect of including the 2020 capital outlays of \$1,559,276 and long-term debt payments of \$75,000 is to increase net position. | | 1,634,276 |
| 3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of (\$1,851,560), a deferred resource inflow related to TRS in the amount of (\$350,533), and a deferred resource outflow related to TRS in the amount of \$886,112. The net effect of including the GASB 68 recognition is to decrease net position. | | (1,315,981) |
| 4 Included in the items related to debt is the recognition of the District's proportionate share of the other post employment benefits liability required by GASB 75 in the amount of (\$3,108,578), a deferred resource inflow of (\$1,344,817), and a deferred resource outflow for the OPEB in the amount of \$959,848. The net effect of including the GASB 75 recognition is to decrease net position. | | (3,493,547) |
| 5 The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position. | | (397,439) |
| 6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue of \$193,368 from property taxes as revenue, reclassing the proceeds of long-term debt issued of (\$1,300,000), recognizing accrued interest on debt payable within one year of (\$11,146) and eliminating interfund transfers. The net effect of these reclassifications and recognitions is to increase net position. | | (1,117,778) |
| 19 Net Position of Governmental Activities | \$ | 7,373,854 |

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

BRACKETT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| Data Control Codes | 10 General Fund | Other Funds | Total Governmental Funds |
|--|-----------------------|------------------|--------------------------------|
| REVENUES: | | | |
| 5700 Total Local and Intermediate Sources | \$ 4,800,951 | \$ 54,718 | \$ 4,855,669 |
| 5800 State Program Revenues | 3,474,386 | 66,084 | 3,540,470 |
| 5900 Federal Program Revenues | 109,386 | 479,418 | 588,804 |
| 5020 Total Revenues | <u>8,384,723</u> | <u>600,220</u> | <u>8,984,943</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| 0011 Instruction | 3,778,937 | 254,405 | 4,033,342 |
| 0012 Instructional Resources and Media Services | 45,525 | 4 | 45,529 |
| 0013 Curriculum and Instructional Staff Development | 56,958 | - | 56,958 |
| 0023 School Leadership | 361,506 | - | 361,506 |
| 0031 Guidance, Counseling, and Evaluation Services | 114,871 | - | 114,871 |
| 0032 Social Work Services | - | 33,695 | 33,695 |
| 0033 Health Services | 49,006 | - | 49,006 |
| 0034 Student (Pupil) Transportation | 197,046 | - | 197,046 |
| 0035 Food Services | - | 353,042 | 353,042 |
| 0036 Extracurricular Activities | 288,509 | - | 288,509 |
| 0041 General Administration | 530,801 | - | 530,801 |
| 0051 Facilities Maintenance and Operations | 1,240,708 | 19,086 | 1,259,794 |
| 0052 Security and Monitoring Services | 33,958 | 11,428 | 45,386 |
| 0053 Data Processing Services | 156,094 | - | 156,094 |
| 0061 Community Services | 121 | - | 121 |
| Debt Service: | | | |
| 0071 Principal on Long-Term Debt | 75,000 | - | 75,000 |
| 0072 Interest on Long-Term Debt | 11,992 | - | 11,992 |
| 0073 Bond Issuance Cost and Fees | 76,830 | - | 76,830 |
| Capital Outlay: | | | |
| 0081 Facilities Acquisition and Construction | 1,559,276 | - | 1,559,276 |
| Intergovernmental: | | | |
| 0093 Payments to Fiscal Agent/Member Districts of SSA | 111,559 | - | 111,559 |
| 6030 Total Expenditures | <u>8,688,697</u> | <u>671,660</u> | <u>9,360,357</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(303,974)</u> | <u>(71,440)</u> | <u>(375,414)</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| 7914 Non-Current Loans | 1,300,000 | - | 1,300,000 |
| 7915 Transfers In | - | 75,000 | 75,000 |
| 8911 Transfers Out (Use) | (75,000) | - | (75,000) |
| 7080 Total Other Financing Sources (Uses) | <u>1,225,000</u> | <u>75,000</u> | <u>1,300,000</u> |
| 1200 Net Change in Fund Balances | 921,026 | 3,560 | 924,586 |
| 0100 Fund Balance - July 1 (Beginning) | <u>3,760,063</u> | <u>86,983</u> | <u>3,847,046</u> |
| 3000 Fund Balance - June 30 (Ending) | <u>\$ 4,681,089</u> | <u>\$ 90,543</u> | <u>\$ 4,771,632</u> |

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

BRACKETT INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2020

EXHIBIT C-4

| | | |
|---|-----------|----------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ | 924,586 |
| Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and decreases in long-term debt in the government-wide financial statements. The net effect of removing the 2020 capital outlays of \$1,559,276 and long-term debt payments of \$75,000 is to increase net position. | | 1,634,276 |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position. | | (397,439) |
| Current year changes due to GASB 68 increased revenues in the amount of \$322,138 but also increased expenditures in the amount of (\$594,185). The net effect was to decrease the change in the ending net position. | | (272,047) |
| Current year changes due to GASB 75 increased revenues in the amount of \$35,885 and increased expenditures in the amount of (\$150,306). The net effect was a decrease in the change in net position. | | (114,421) |
| Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue of \$33,674, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of long-term debt of (\$1,300,000), and recognizing the liabilities associated with maturing long-term debt and interest (\$11,146). The net effect of these reclassifications and recognitions is to decrease net position. | | (1,277,472) |
| Change in Net Position of Governmental Activities | \$ | 497,483 |

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

BRACKETT INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2020

| | 836-849 Investment Trust Fund | Agency Fund |
|-------------------------------|-------------------------------------|-------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 12,682 | \$ 102,986 |
| Total Assets | <u>12,682</u> | <u>\$ 102,986</u> |
| LIABILITIES | | |
| Due to Student Groups | - | \$ 102,986 |
| Total Liabilities | <u>-</u> | <u>\$ 102,986</u> |
| NET POSITION | | |
| Restricted for Other Purposes | <u>12,682</u> | |
| Total Net Position | <u>\$ 12,682</u> | |

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

BRACKETT INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

| | 836-849 Investment Trust Fund |
|---|-------------------------------------|
| ADDITIONS: | |
| Miscellaneous Additions | \$ 2,980 |
| Total Additions | <u>2,980</u> |
| DEDUCTIONS: | |
| Other Deductions | 1,400 |
| Total Deductions | <u>1,400</u> |
| Change in Fiduciary Net Position | 1,580 |
| Total Net Position - July 1 (Beginning) | <u>11,102</u> |
| Total Net Position - June 30 (Ending) | <u><u>\$ 12,682</u></u> |

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

BRACKETT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Brackett 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 (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *GASB Statement No. 76*; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the Resource Guide) and the requirements of contracts and grants of agencies from which it receives funds.

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.

Fair Value Measurement. As of June 30, 2020, Brackett Independent School District retrospectively/prospectively applied Government Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

Other Post-Employment Benefits. The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan 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 other post-employment benefits, 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.

A. REPORTING ENTITY

The Board of Trustees (the Board) is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its Statement No. 14, The Financial Reporting Entity. There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The District considers all revenues available if they are collectible within 60 days after year end.

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

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

The Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund** - The general fund is the Districts primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Additionally, the District reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Funds** - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds:

2. **Investment Trust Fund** - This fund is one in which the District holds assets in trust for other entities participating in an investment program managed by the District. The Districts Investment Trust Fund is the scholarship fund.
3. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The Districts Agency Fund is the Student Activity Fund.

E. FUND BALANCE POLICY

Brackett Independent School District reports fund balance for governmental funds in classifications based primarily on the extent to which the district is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The **nonspendable** classification represents assets that will be consumed or must be maintained intact and therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the **restricted** classification. The nature of these two classifications precludes a need for a policy from the Board of Trustees. However, the Board has adopted fund balance policies for the three unrestricted classifications B committed, assigned, and unassigned.

From time to time, the Board of Trustees may commit fund balances by a majority vote in a scheduled meeting. The Boards commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of nonspendable and restricted fund balances since that practice would commit funds that the district does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions and other purposes determined by the Board.

The Board of Trustees may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Board may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Board by majority vote in a scheduled meeting.

When the District incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures should be charged to unrestricted balances. When the District incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures are charged to unassigned, assigned, then committed.

By a majority vote in a scheduled meeting the Board of Trustees may commit fund balances and it may modify or rescind commitments. The Board may also delegate authority to persons or parties to assign fund balances in specific circumstances or funds.

F. OTHER ACCOUNTING POLICIES

1. The District records purchases of supplies as expenditures.
2. The District records its investments in external investment pools at cost, which approximates fair value.
3. The District provides risk management obligations by carrying appropriate insurance. Property and general liability insurance are obtained from the Texas Association of School Boards Risk Management Fund. Risk of loss is not retained by the District.
4. 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
5. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a Statewide data base for policy development and funding plans.
6. 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.
7. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government.
8. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

| <u>Assets</u> | <u>Years</u> |
|---------------|--------------|
| Buildings | 40 |
| Improvements | 10 |
| Vehicles | 7 |
| Equipment | 5 |

9. 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 future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Districts deferred outflows of resources consist of differences between expected and actual actuarial experience (pension & OPEB), changes in actuarial assumptions (pension & OPEB), differences between projected and actual investment earnings (OPEB), change in proportion and differences between employer's contributions and the proportionate share of contributions (pension & OPEB), and contributions paid to TRS subsequent to the measurement date (pension & OPEB).

10. 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. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. In the government wide financial statements, the District reports a deferred inflow of resources for differences between expected and actual actuarial experience (pension & OPEB), changes in actuarial assumptions (pension & OPEB), differences between projected and actual investment earnings (pension), and changes in proportion and differences between employer's contributions and the proportionate share of contributions (pension).

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an Appropriated budget for the General Fund and Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the Food Service Fund budget report is Exhibit J-2.

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

1. Prior to June 20 the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.

2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

| June 30, 2020 | <u>Fund Balance</u> |
|---|---------------------|
| Appropriated Budget Funds - Food Service Special Revenue Fund | \$ 30,543 |
| Nonappropriated Budget Funds | <u>60,000</u> |
| All Special Revenue Funds | <u>\$ 90,543</u> |

The District over-expended Function 81 in the General Fund by \$606.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

As of June 30, 2020, the District had funds on deposit of \$759,696 in excess of FDIC coverage, secured by pledged securities of the depository bank.

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity 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, (9) and bid solicitation preferences for certificates of deposit.

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

As of June 30, 2020, Brackett Independent School District had the following investments.

| <u>Investment Type and Description</u> | <u>Credit Rating</u> | <u>Weighted Average Maturity</u> | <u>Fair Value</u> |
|--|----------------------|----------------------------------|---------------------|
| Public Funds Investment Pools | | | |
| Lone Star Government Overnight Fund | AAAm | 35 days | \$ 3,393,732 |
| | | | <u>\$ 3,393,732</u> |

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

Lone Star

The **Lone Star Investment Pool** (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAAM by Standard and Poor's. Lone Star has no limitations or restrictions on withdrawals. The District is invested in the Government Overnight Fund of Lone Star. Lone Star has 3 different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents. The Government Overnight and Corporate Overnight Funds value all investments at amortized cost and are operated in accordance with GASB 79. The Corporate Overnight Plus Fund values all investments at fair value and is operated in accordance with GASB 72.

The Pool is governed by an eleven-member board of trustees (Board) made up of active participants in the Pool. The Board has the responsibility of adopting and monitoring compliance with the investment policy, appointing investment officers, overseeing the selection of an investment advisor, custodian, investment consultant, administrator, and other service providers. The Board is also responsible for monitoring performance of the Pool. Financial information for the Pool can be obtained by writing to Post Office Box 400, Austin, Texas, 78767-0400 or by calling 1-800-758-3927.

Additional polices and contractual provisions governing deposits and investments for Brackett Independent School District are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to state sponsored investment pools covered by the Districts credit risk policy.

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions.

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government’s investment in a single issuer, the District limits investments to only approved investment instruments that ensure preservation of capital.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires the use of final and weighted average maturity limits and diversification.

Foreign Currency Risk for Investments The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in foreign currency.

Fair Value Measurements

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

| <u>Investments</u> | <u>Fair Value</u> | <u>Fair Value Measurement Using</u> | | |
|--------------------|-------------------|-------------------------------------|----------------|----------------|
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Lone Star | \$ 3,393,732 | \$ - | \$ 3,393,732 | \$ - |
| Total Investments | \$ 3,393,732 | \$ - | \$ 3,393,732 | \$ - |

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances, primarily for payroll clearing purposes as of June 30, 2020 consisted of the following amounts:

Due to General Fund from:

| | |
|--|-----------------|
| Intrafund | \$ 2,402 |
| | <hr/> |
| Total Due to General Fund From Other Funds | <u>\$ 2,402</u> |

Interfund transfers as of June 30, 2020 consisted of the following amounts:

Transferred to Non-Major Funds from:

| | |
|---|------------------|
| General Fund | \$ 75,000 |
| | <hr/> |
| Total Transferred to Non-Major Funds from Other Funds | <u>\$ 75,000</u> |

Transfers were used to supplement the District's Child Nutrition Program.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2020, were as follows:

| | Property Taxes | Due From Other Governments | Due From Other Funds | Other | Total Receivables |
|---|-------------------|----------------------------------|----------------------------|-------------|----------------------|
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Governmental Activities: | | | | | |
| General Fund | \$ 233,106 | \$ 773,686 | \$ 2,402 | \$ - | \$ 1,009,194 |
| Nonmajor Governmental Funds | <hr/> - | <hr/> 136,697 | <hr/> - | <hr/> - | <hr/> 136,697 |
| Total Governmental Activities | <u>\$ 233,106</u> | <u>\$ 910,383</u> | <u>\$ 2,402</u> | <u>\$ -</u> | <u>\$ 1,145,891</u> |
| Amount not scheduled for collection during subsequent year | <u>\$ 23,311</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 23,311</u> |

Payables at June 30, 2020, were as follows:

| | <u>Accounts Payables</u> | <u>Salaries and Benefits</u> | <u>Due to Other Governments</u> | <u>Due to Other Funds</u> | <u>Other</u> | <u>Total Payables</u> |
|-------------------------------|------------------------------|--------------------------------------|---|-----------------------------------|--------------|---------------------------|
| Governmental Activities: | | | | | | |
| General Fund | \$ 196,349 | \$ 272,060 | \$ - | \$ 2,402 | \$ - | \$ 470,811 |
| Nonmajor Governmental Funds | <u>1,178</u> | <u>31,035</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>32,213</u> |
| Total Governmental Activities | <u>\$ 197,527</u> | <u>\$ 303,095</u> | <u>\$ -</u> | <u>\$ 2,402</u> | <u>\$ -</u> | <u>\$ 503,024</u> |

F. CAPITAL ASSET ACTIVITY

| | <u>Primary Government</u> | | | |
|---|------------------------------|---------------------|---|---------------------------|
| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements/ Classifications</u> | <u>Ending Balance</u> |
| Governmental activities: | | | | |
| Land | \$ 580,991 | \$ - | \$ - | \$ 580,991 |
| Buildings | 14,065,356 | 1,559,276 | - | 15,624,632 |
| Equipment and vehicles | <u>1,993,817</u> | <u>-</u> | <u>-</u> | <u>1,993,817</u> |
| Total at historical cost | <u>16,640,164</u> | <u>1,559,276</u> | <u>-</u> | <u>18,199,440</u> |
| Less accumulated depreciation | | | | |
| Buildings | (8,114,876) | (254,030) | - | (8,368,906) |
| Equipment and vehicles | <u>(1,232,597)</u> | <u>(143,409)</u> | <u>-</u> | <u>(1,376,006)</u> |
| Total accumulated depreciation | <u>(9,347,473)</u> | <u>(397,439)</u> | <u>-</u> | <u>(9,744,912)</u> |
| Governmental activities capital assets, net | <u>\$ 7,292,691</u> | <u>\$ 1,161,837</u> | <u>\$ -</u> | <u>\$ 8,454,528</u> |

Depreciation expense was charged to governmental activities as follows:

| | |
|--|-------------------|
| Instruction | \$ 132,825 |
| Instructional Leadership | 12,519 |
| Guidance, Counseling & Evaluation Services | 397 |
| Health Services | 994 |
| Student (Pupil) Transportation | 81,276 |
| Food Services | 37,439 |
| Extracurricular Activities | 87,317 |
| Plant Maintenance and Operations | <u>44,672</u> |
| Total depreciation expense | <u>\$ 397,439</u> |

G. COMMITMENTS UNDER OPERATING LEASES

Commitments under operating (noncapital) lease agreements for copiers provide for minimum future rental payments as of June 30, 2020, as follows:

| | |
|------------|-----------|
| 2021 | \$ 29,424 |
| 2022 | 29,424 |
| 2023 | 28,415 |
| 2024 | 7,780 |
| 2025 | 2,008 |
| Thereafter | - |

Rental expenditures for 2020 were \$28,565.

H. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

The State of Texas has created a minimum personal leave program consisting of five days per year leave with no limit on accumulation and transferability among districts for every teacher regularly employed in Texas public schools.

Each districts local Board of Education is required to establish a leave plan. Local school districts may provide additional leave beyond the state minimum. Brackett Independent School District provides an additional five days leave above the state granted five days per year. Personal leave is not vested, therefore, upon resignation, termination or nonrenewal of contract, accumulated personal leave is not paid.

I. DEFINED BENEFIT PENSION PLAN

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

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

Pension Plan Fiduciary Net Position. Detail information about the Teacher Retirement System’s fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting *About TRS* then *Publications* then *Financial Reports* or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

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

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.

In May, 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

| Contributions Rates | | |
|---|------|------------|
| | 2019 | 2020 |
| Member | 7.7% | 7.7% |
| Non-Employer Contributing Entity (State) | 6.8% | 7.5% |
| Employers | 6.8% | 7.5% |
| District's 2020 FY Employer Contributions | | \$ 127,255 |
| District's 2020 FY Member Contributions | | \$ 351,472 |
| Measurement Year NECE On-Behalf Contributions | | \$ 249,381 |

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

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

- * On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- * During a new member's first 90 days of employment.
- * When any part or all of an employee's salary is paid by federal funding sources or a privately sponsored source, from non-educational and general, or local funds.
- * When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate, called the Public Education Employer Contribution, will replace the Non (OASDI) surcharge that was in effect in fiscal year 2019.

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to.

- * When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- * When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

Actuarial Assumptions.

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions.

| | |
|---|---|
| Valuation Date | August 31, 2018 rolled forward to August 31, 2019 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Market Value |
| Single Discount Rate | 7.25% |
| Long-term Expected Rate | 7.25% |
| Municipal Bond Rate as of August 2019 | 2.63%. 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 | 2.30% |
| Salary Increases | 3.05% to 9.05% including inflation |
| Ad Hoc Post-Employment Benefit Changes | None |

The actuarial methods and assumptions used in the determination of the total pension liability assumptions are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2018.

Discount Rate. A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25%. The projection of cash flows used to determine the single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

| Asset Class | FY 2019 Target Allocation* % | New Target Allocation** % | Long-Term Expected Geometric Real Rate of Return*** |
|--|---------------------------------------|---------------------------------|---|
| Global Equity | | | |
| USA | 18.00% | 18.00% | 6.40% |
| Non-U.S. Developed | 13.00% | 13.00% | 6.30% |
| Emerging Markets | 9.00% | 9.00% | 7.30% |
| Directional Hedge Funds | 4.00% | 0.00% | 0.00% |
| Private Equity | 13.00% | 14.00% | 8.40% |
| Stable Value | | | |
| U.S. Treasuries**** | 11.00% | 16.00% | 3.10% |
| Stable Value Hedge Funds | 4.00% | 5.00% | 4.50% |
| Absolute Return (Including Credit Sensitive Investments) | 0.00% | 0.00% | 0.00% |
| Real Return | | | |
| Global Inflation Linked Bonds**** | 3.00% | 0.00% | 0.00% |
| Real Estate | 14.00% | 15.00% | 8.50% |
| Energy, Natural Resources and Infrastructure | 5.00% | 6.00% | 7.30% |
| Commodities | 0.00% | 0.00% | 0.00% |
| Risk Parity | | | |
| Risk Parity | 5.00% | 8.00% | 5.8%-6.5%***** |
| Asset Allocation Leverage | | | |
| Cash | 1.00% | 2.00% | 2.50% |
| Asset Allocation Leverage | 0.00% | -6.00% | 2.70% |
| Total | 100% | 100% | 7.23% |

* FY 2019 Target Allocation based on the Strategic Asset Allocations dated 10/1/2018

** New target allocation based on the Strategic Asset Allocation dated 10/1/2019

*** 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

**** New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds.

***** 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability.

| | 1% Decrease in Discount Rate (6.25%) | Discount Rate (7.25%) | 1% Increase in Discount Rate (8.25%) |
|--|---|-----------------------|---|
| District's proportionate share of the net pension liability: | \$2,846,117 | \$1,851,560 | \$1,045,777 |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, the Brackett Independent School District reported a liability of \$1,851,560 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the Brackett Independent School District. The amount recognized by the Brackett Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Brackett Independent School District were as follows:

| | |
|--|---------------------|
| District's proportionate share of the collective net pension liability | \$ 1,851,560 |
| State's proportionate share that is associated with the District | <u>3,703,916</u> |
| | <u>\$ 5,555,476</u> |

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2019, the employers' proportion of the collective net pension liability was 0.0035618488% which was a decrease of 0.0000584587% from its proportion measured 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 pension liability since the prior measurement period:

- The total pension liability as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year for 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

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

For the year ended June 30, 2020, the Brackett Independent School District recognized pension expense of \$581,833 and revenue of \$581,833 for support provided by the State in the Government Wide Statement of Activities.

At June 30, 2020, the Brackett Independent School District reported its proportionate share of the TRSs deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| Differences between expected and actual actuarial experience | \$ 7,778 | \$ 64,289 |
| Changes in actuarial assumptions | 574,445 | 237,388 |
| Net difference between projected and actual investment earnings | 18,591 | |
| Changes in proportion and differences between the employer's contributions and the proportionate share of contributions | 177,218 | 48,856 |
| Contributions paid to TRS subsequent to the measurement date | 108,080 | |
| Total | \$ 886,112 | \$ 350,533 |

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

| Measurement year ended August 31: | Pension Expense Amount |
|-----------------------------------|------------------------|
| 2021 | \$ 126,350 |
| 2022 | 102,259 |
| 2023 | 97,277 |
| 2024 | 89,701 |
| 2025 | 30,226 |
| Thereafter | (18,314) |

J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position. Detail 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: <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-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees 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 post-employment benefit changes; including automatic COLAs.

The premium rates for retirees are reflected in the following table.

TRS-Care Monthly Premium Rates

| | 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 the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan 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 of trustees 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 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent 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 the TRS-Care plan by type of contributor.

Contributions Rates

| | 2019 | 2020 |
|---|-------|--------|
| Active Employee | 0.65% | 0.65% |
| Non-Employer Contributing Entity (State) | 1.25% | 1.25% |
| Employers | 0.75% | 0.75% |
| Federal/private Funding Remitted by Employers | 1.25% | 1.25% |
| District's 2020 FY Employer Contributions | \$ | 48,507 |
| District's 2020 FY Member Contributions | \$ | 29,670 |
| Measurement Year NECE On-Behalf Contributions | \$ | 61,986 |

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2019.

Actuarial Assumptions.

The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019:

| | |
|-------------------------------|-------------------------|
| Rates of Mortality | General Inflation |
| Rates of Retirement | Wage Inflation |
| Rates of Termination | Expected Payroll Growth |
| Rates of Disability Incidence | |

Additional Actuarial Methods and Assumptions:

| | |
|--|--|
| Valuation Date | August 31, 2018 rolled forward to August 31, 2019 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Inflation | 2.30% |
| Single Discount Rate | 2.63% as of August 31, 2019 |
| Aging Factors | Based on plan specific experience |
| Election Rates | Normal Retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65. |
| Expenses | Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs. |
| Salary Increases | 3.05% to 9.05% including inflation |
| Ad Hoc Post-Employment Benefit Changes | None |

Other Information: The impact of the Cadillac Tax that is returning in fiscal year 2023, 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 2.30%.
- 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 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06% in the discount rate since the previous year. Because the plan 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 non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan'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.

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 (2.63%) in measuring the Net OPEB Liability.

| | 1% Decrease in Discount Rate (1.63%) | Current Single Discount Rate (2.63%) | 1% Increase in Discount Rate (3.63%) |
|--|---|---|---|
| District's proportionate share of the Net OPEB Liability: | \$3,753,052 | \$3,108,578 | \$2,604,407 |

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2020, Brackett Independent School District reported a liability of \$3,108,578 for its proportionate share of the TRS'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 Brackett Independent School District were as follows:

| | |
|--|---------------------|
| District's proportionate share of the collective net pension liability | \$ 3,108,578 |
| State's proportionate share that is associated with the District | <u>4,130,605</u> |
| | <u>\$ 7,239,183</u> |

The Net OPEB Liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2020 the employer's proportion of the collective Net OPEB Liability was 0.006573267% compared to 0.0060153040% as of August 31, 2019.

Healthcare Trend Rate Analysis. The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate is used.

| | 1% Decrease in Healthcare Trend Rate | Current Single Heathcare Trend rate | 1% Increase in Healthcare Trend Rate |
|--|---|--|---|
| District's proportionate share of the Net OPEB Liability: | \$2,535,869 | \$3,108,578 | \$3,875,746 |

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 (TOL) since the prior measurement period:

- The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan’s anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the TOL.
- Change of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

For the year ended June 30, 2020, Brackett Independent School District recognized OPEB expenses of \$108,866 and revenue \$108,866 for support provided by the State.

At June 30, 2020, the District reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Differences between expected and actual actuarial experience | \$ 152,502 | \$ 508,686 |
| Changes in actuarial assumptions | 172,657 | 836,131 |
| Net difference between projected and actual investment earnings | 335 | |
| Changes in proportion and differences between the employers contributions and the proportionate share of contributions | 592,861 | - |
| Contributions paid to TRS subsequent to the measurement date | 41,493 | - |
| Total | \$ 959,848 | \$ 1,344,817 |

The net amounts of the employer’s balance of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEBs will be recognized in OPEB expense as follows:

| Year ended August 31: | OPEB Expense Amount |
|-----------------------|---------------------|
| 2021 | \$ (92,724) |
| 2022 | (92,724) |
| 2023 | (92,832) |
| 2024 | (92,896) |
| 2025 | (92,879) |
| Thereafter | 37,593 |

K. MEDICARE PART D - ON BEHALF PAYMENTS

The Medicare Prescription Drug, Improvement and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Payments made on behalf to Brackett Independent School District for fiscal years 2018, 2019, and 2020 were \$17,884, \$14,142, and \$19,190 respectively.

L. LITIGATION

The Districts attorney indicates there is no litigation in progress or pending as of year-end.

M. COMMITMENTS AND CONTINGENCIES

During the year the District has received monies from various State and Federal sources. These monies are designated for a specific purpose and the expenditures for the funds are based on actual payments and accruals. The possibility exists, based on a separate audit by any regulatory agency, that costs charged to a specific grant may be disallowed and such disallowed cost would become an obligation of the General Fund. Disallowed costs, if any, are unknown.

N. UNAVAILABLE REVENUE

Unavailable revenue at year end consisted of the following:

| | <u>General Fund</u> | <u>Other Funds</u> | <u>Total</u> |
|---------------------------|-------------------------|------------------------|-------------------|
| Property Taxes | \$ 193,368 | \$ - | \$ 193,368 |
| Total Unavailable Revenue | <u>\$ 193,368</u> | <u>\$ -</u> | <u>\$ 193,368</u> |

O. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2020, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

| <u>Fund</u> | <u>State Entitlements</u> | <u>Federal Grants</u> | <u>Other</u> | <u>Total</u> |
|-----------------|-------------------------------|---------------------------|-----------------|-------------------|
| General | \$ 771,174 | \$ - | \$ 2,512 | \$ 773,686 |
| Special Revenue | <u>3,896</u> | <u>132,801</u> | <u>-</u> | <u>136,697</u> |
| Total | <u>\$ 775,070</u> | <u>\$ 132,801</u> | <u>\$ 2,512</u> | <u>\$ 910,383</u> |

P. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

| | <u>General Fund</u> | <u>Other Funds</u> | <u>Total</u> |
|---|-------------------------|------------------------|---------------------|
| Property Taxes | \$ 4,243,889 | \$ - | \$ 4,243,889 |
| Penalties, Interest and Other Tax-related Income | 80,588 | - | 80,588 |
| Tuition and Fees | 480 | - | 480 |
| Investment Income | 74,536 | - | 74,536 |
| Rent | 1,220 | - | 1,220 |
| Gifts and Bequest | 20,000 | - | 20,000 |
| Insurance Recovery | 212,669 | - | 212,669 |
| Food Sales | - | 54,718 | 54,718 |
| Co-curricular | 24,991 | - | 24,991 |
| Other | <u>142,578</u> | <u>-</u> | <u>142,578</u> |
| Total | <u>\$ 4,800,951</u> | <u>\$ 54,718</u> | <u>\$ 4,855,669</u> |

Q. TAX ABATEMENTS

On October 14, 2013 and on December 21, 2009, the Brackett Independent School District Board of Trustees approved an agreement with OCI Alamo 4 LLC and Anacacho Wind for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code. Value limitation agreements are a part of a state program, originally created in 2011 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The projects must be consistent with the state’s goal to “encourage large scale capital investments in this state.” Chapter 313 grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and Texas Priority projects. OCI Alamo 4 LLC and Anacacho Wind qualified for a tax limitation agreement under Texas Tax Code §313.024(b)(5), as a renewable energy electric generation project.

The application, the agreements and state reporting requirement documentation can be viewed at the Texas Comptroller’s website: <https://www.comptroller.texas.gov/economy/local/ch313/agreement-docs.php>. The agreement and the supporting documentation was assigned Texas Comptroller Application No. 302 & No. 163.

Each applicant, including OCI Alamo 4 LLC and Anacacho Wind, has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the applications approval, it was determined by both the District's Board of Trustees and the Texas Comptroller's Office that the project would meet these standards. After approval, the applicant company must maintain a viable presence in the District for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure relevant job, wage, and operational requirements are being met.

In the event that OCI Alamo 4 LLC and Anacacho Wind terminates this agreement without the consent of the District, or in the event that the company or its successor-in-interest fails to comply in any material respect with the terms of this agreement or to meet any material obligation under this agreement, then the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of this agreement together with the payment of penalty and interest, on that recaptured ad valorem tax revenue. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code §33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code §33.01(c), or its successor statute. The agreement provides an administrative procedure any company liability. Ultimately, enforcement of any payment obligation is through the local state district court.

As of the date of this audit, the applicant company is in full compliance with all of its obligations under law and the agreement itself.

| Project | First Year Value Limitations | (A) | (B) | (C) | (D) | (E) | (F) | (G) |
|---------------------------------------|------------------------------|----------------------|--|---|--|--|--|--|
| | | Project Value FY2019 | Project's Value Limitation Amount FY2019 | Amount of Applicant's M&O Taxes Paid FY2019 | Amount of Applicant's M&O Taxes Reduced FY2019 | Company Revenue Loss Payment to School District FY2019 | Company Supplemental Payment to School District FY2019 | Net Benefit (Loss) to the School District FY2019 (C+E+F) |
| OCI Alamo 4 LLC (Application #302) | 2016 | \$ 36,700,000 | \$ 1,000,000 | \$ 9,700 | \$ 346,290 | \$ - | \$ 52,624 | \$ 62,324 |
| Anacacho Wind (Application # 163) | 2012 | \$ 66,743,670 | \$ 1,000,000 | \$ 9,700 | \$ 637,714 | \$ 73,064 | \$ 56,133 | \$ 65,833 |

R. SHARED SERVICES ARRANGEMENT

The District participates in shared services arrangements with another school district. The District does not account for revenues or expenditures in these programs and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Cluster V Special Education Co-op, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Brackett Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangements. The District paid \$111,559 to the fiscal agent during the year.

REQUIRED SUPPLEMENTARY INFORMATION

BRACKETT INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2020

| Data Control Codes | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|---|------------------|--------------|--------------------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ 4,704,650 | \$ 4,945,288 | \$ 4,800,951 | \$ (144,337) |
| 5800 State Program Revenues | 2,115,310 | 2,115,310 | 3,474,386 | 1,359,076 |
| 5900 Federal Program Revenues | 150,000 | 150,000 | 109,386 | (40,614) |
| 5020 Total Revenues | 6,969,960 | 7,210,598 | 8,384,723 | 1,174,125 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 4,259,882 | 4,259,882 | 3,778,937 | 480,945 |
| 0012 Instructional Resources and Media Services | 58,292 | 58,292 | 45,525 | 12,767 |
| 0013 Curriculum and Instructional Staff Development | 70,412 | 70,412 | 56,958 | 13,454 |
| 0023 School Leadership | 381,607 | 381,607 | 361,506 | 20,101 |
| 0031 Guidance, Counseling, and Evaluation Services | 119,619 | 119,619 | 114,871 | 4,748 |
| 0033 Health Services | 64,124 | 64,124 | 49,006 | 15,118 |
| 0034 Student (Pupil) Transportation | 327,159 | 451,897 | 197,046 | 254,851 |
| 0036 Extracurricular Activities | 451,326 | 451,326 | 288,509 | 162,817 |
| 0041 General Administration | 609,277 | 609,277 | 530,801 | 78,476 |
| 0051 Facilities Maintenance and Operations | 1,366,256 | 1,482,156 | 1,240,708 | 241,448 |
| 0052 Security and Monitoring Services | 54,842 | 54,842 | 33,958 | 20,884 |
| 0053 Data Processing Services | 163,696 | 163,696 | 156,094 | 7,602 |
| 0061 Community Services | 1,500 | 1,500 | 121 | 1,379 |
| Debt Service: | | | | |
| 0071 Principal on Long-Term Debt | - | 75,000 | 75,000 | - |
| 0072 Interest on Long-Term Debt | - | 11,992 | 11,992 | - |
| 0073 Bond Issuance Cost and Fees | - | 76,830 | 76,830 | - |
| Capital Outlay: | | | | |
| 0081 Facilities Acquisition and Construction | - | 1,558,670 | 1,559,276 | (606) |
| Intergovernmental: | | | | |
| 0093 Payments to Fiscal Agent/Member Districts of SSA | 113,000 | 113,000 | 111,559 | 1,441 |
| 6030 Total Expenditures | 8,040,992 | 10,004,122 | 8,688,697 | 1,315,425 |
| 1100 Excess (Deficiency) of Revenues Over (Under) | (1,071,032) | (2,793,524) | (303,974) | 2,489,550 |
| OTHER FINANCING SOURCES (USES): | | | | |
| 7914 Non-Current Loans | - | 1,300,000 | 1,300,000 | - |
| 8911 Transfers Out (Use) | (75,000) | (75,000) | (75,000) | - |
| 7080 Total Other Financing Sources (Uses) | (75,000) | 1,225,000 | 1,225,000 | - |
| 1200 Net Change in Fund Balances | (1,146,032) | (1,568,524) | 921,026 | 2,489,550 |
| 0100 Fund Balance - July 1 (Beginning) | 3,760,063 | 3,760,063 | 3,760,063 | - |
| 3000 Fund Balance - June 30 (Ending) | \$ 2,614,031 | \$ 2,191,539 | \$ 4,681,089 | \$ 2,489,550 |

BRACKETT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2020

| | FY 2020 Plan Year 2019 | FY 2019 Plan Year 2018 | FY 2018 Plan Year 2017 |
|--|---------------------------|---------------------------|---------------------------|
| District's Proportion of the Net Pension Liability (Asset) | 0.003561849% | 0.003620307% | 0.00352436% |
| District's Proportionate Share of Net Pension Liability (Asset) | \$ 1,851,560 | \$ 1,992,705 | \$ 1,126,901 |
| State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District | 3,703,916 | 3,929,658 | 2,439,913 |
| Total | <u>\$ 5,555,476</u> | <u>\$ 5,922,363</u> | <u>\$ 3,566,814</u> |
| District's Covered Payroll | \$ 4,564,667 | \$ 4,414,011 | \$ 4,462,044 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | 40.56% | 45.14% | 25.26% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.24% | 73.74% | 82.17% |

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

| | FY 2017 Plan Year 2016 | FY 2016 Plan Year 2015 | FY 2015 Plan Year 2014 |
|----|---------------------------|---------------------------|---------------------------|
| | 0.003678% | 0.0037667% | 0.0019492% |
| \$ | 1,389,869 | \$ 1,331,478 | \$ 520,659 |
| | 2,848,343 | 2,757,224 | 2,498,924 |
| \$ | 4,238,212 | \$ 4,088,702 | \$ 3,019,583 |
| \$ | 4,296,391 | \$ 4,137,799 | \$ 4,134,877 |
| | 32.35% | 32.18% | 12.59% |
| | 78.00% | 78.43% | 83.25% |

BRACKETT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2020

| | 2020 | 2019 | 2018 |
|---|--------------|--------------|--------------|
| Contractually Required Contribution | \$ 127,255 | \$ 123,138 | \$ 121,105 |
| Contribution in Relation to the Contractually Required Contribution | (127,255) | (123,138) | (121,105) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - |
| District's Covered Payroll | \$ 4,564,568 | \$ 4,551,447 | \$ 4,396,962 |
| Contributions as a Percentage of Covered Payroll | 2.79% | 2.71% | 2.75% |

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

| | 2017 | 2016 | 2015 |
|----|-----------|--------------|--------------|
| \$ | 116,245 | \$ 111,535 | \$ 49,417 |
| | (116,245) | (111,535) | (49,417) |
| \$ | - | \$ - | \$ - |
| \$ | 4,479,758 | \$ 4,296,391 | \$ 4,137,799 |
| | 2.59% | 2.60% | 1.19% |

BRACKETT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2020

| | FY 2020 Plan Year 2019 | FY 2019 Plan Year 2018 | FY 2018 Plan Year 2017 |
|---|---------------------------|---------------------------|---------------------------|
| District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits | 0.006573267% | 0.006015304% | 0.0054235% |
| District's Proportionate Share of Net OPEB Liability (Asset) | \$ 3,108,578 | \$ 3,003,496 | \$ 2,358,490 |
| State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District | 4,130,605 | 3,779,790 | 3,452,261 |
| Total | <u>\$ 7,239,183</u> | <u>\$ 6,783,286</u> | <u>\$ 5,810,751</u> |
| District's Covered Payroll | \$ 4,564,667 | \$ 4,414,011 | \$ 4,462,044 |
| District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll | 68.10% | 68.05% | 52.86% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 2.66% | 1.57% | 0.91% |

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2020 are for the measurement date of August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

BRACKETT INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2020

| | 2020 | 2019 | 2018 |
|---|--------------|--------------|--------------|
| Contractually Required Contribution | \$ 48,507 | \$ 45,505 | \$ 39,380 |
| Contribution in Relation to the Contractually Required Contribution | (48,507) | (45,505) | (39,380) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - |
| District's Covered Payroll | \$ 4,564,568 | \$ 4,551,447 | \$ 4,396,962 |
| Contributions as a Percentage of Covered Payroll | 1.06% | 1.00% | 0.90% |

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

BRACKETT INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

A. Notes to Schedules for the TRS Pension

Changes of Benefit terms.

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

Changes of Assumptions.

There were no changes in the actuarial assumptions used in the determination of the Total Pension Liability during the measurement period.

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefit.

There were no changes of benefit terms during the measurement period that affected the Total OPEB Liability.
Changes in Assumptions.

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

- The discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.

COMBINING AND OTHER STATEMENTS

BRACKETT INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2020

| Data Control Codes | 205 Head Start | 211 ESEA I, A Improving Basic Program | 212 ESEA Title I Part C Migrant |
|---|-----------------------|--|--|
| ASSETS | | | |
| 1110 Cash and Cash Equivalents | \$ 5,836 | \$ (26,096) | \$ (23,403) |
| 1240 Due from Other Governments | - | 33,818 | 25,788 |
| 1000 Total Assets | <u>\$ 5,836</u> | <u>\$ 7,722</u> | <u>\$ 2,385</u> |
| LIABILITIES | | | |
| 2110 Accounts Payable | \$ - | \$ - | \$ - |
| 2160 Accrued Wages Payable | 5,261 | 6,635 | 2,149 |
| 2200 Accrued Expenditures | 575 | 1,087 | 236 |
| 2000 Total Liabilities | <u>5,836</u> | <u>7,722</u> | <u>2,385</u> |
| FUND BALANCES | | | |
| Restricted Fund Balance: | | | |
| 3450 Federal or State Funds Grant Restriction | - | - | - |
| 3490 Other Restricted Fund Balance | - | - | - |
| 3000 Total Fund Balances | <u>-</u> | <u>-</u> | <u>-</u> |
| 4000 Total Liabilities and Fund Balances | <u>\$ 5,836</u> | <u>\$ 7,722</u> | <u>\$ 2,385</u> |

| 240 National Breakfast and Lunch Program | 255 ESEA II,A Training and Recruiting | 289 Rural School Achievement | 397 Advanced Placement Incentives | 410 State Instructional Materials | 427 Math Stipends 3 E's Fund | 429 Truancy Project Grant | 480 Hillcrest Foundation Grant |
|---|--|---------------------------------------|--|--|---------------------------------------|------------------------------------|---|
| \$ (28,593) | \$ - | \$ (629) | \$ - | \$ - | \$ - | \$ (1,056) | \$ 60,000 |
| 72,567 | - | 629 | - | - | - | 3,895 | - |
| <u>\$ 43,974</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,839</u> | <u>\$ 60,000</u> |
| \$ 1,178 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11,550 | - | - | - | - | - | 2,535 | - |
| 703 | - | - | - | - | - | 304 | - |
| <u>13,431</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,839</u> | <u>-</u> |
| 30,543 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 60,000 |
| <u>30,543</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>60,000</u> |
| <u>\$ 43,974</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,839</u> | <u>\$ 60,000</u> |

BRACKETT INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2020

| Data Control Codes | 483 DG Literacy Grant | Total Nonmajor Governmental Funds |
|---|--------------------------------|--|
| ASSETS | | |
| 1110 Cash and Cash Equivalents | \$ - | \$ (13,941) |
| 1240 Due from Other Governments | - | 136,697 |
| 1000 Total Assets | <u>\$ -</u> | <u>\$ 122,756</u> |
| LIABILITIES | | |
| 2110 Accounts Payable | \$ - | \$ 1,178 |
| 2160 Accrued Wages Payable | - | 28,130 |
| 2200 Accrued Expenditures | - | 2,905 |
| 2000 Total Liabilities | <u>-</u> | <u>32,213</u> |
| FUND BALANCES | | |
| Restricted Fund Balance: | | |
| 3450 Federal or State Funds Grant Restriction | - | 30,543 |
| 3490 Other Restricted Fund Balance | - | 60,000 |
| 3000 Total Fund Balances | <u>-</u> | <u>90,543</u> |
| 4000 Total Liabilities and Fund Balances | <u>\$ -</u> | <u>\$ 122,756</u> |

BRACKETT INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

| Data Control Codes | 205 Head Start | 211 ESEA I, A Improving Basic Program | 212 ESEA Title I Part C Migrant |
|---|-----------------------|--|--|
| REVENUES: | | | |
| 5700 Total Local and Intermediate Sources | \$ - | \$ - | \$ - |
| 5800 State Program Revenues | - | - | - |
| 5900 Federal Program Revenues | <u>35,318</u> | <u>105,192</u> | <u>25,788</u> |
| 5020 Total Revenues | <u>35,318</u> | <u>105,192</u> | <u>25,788</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| 0011 Instruction | 35,318 | 105,192 | 25,788 |
| 0012 Instructional Resources and Media Services | - | - | - |
| 0032 Social Work Services | - | - | - |
| 0035 Food Services | - | - | - |
| 0051 Facilities Maintenance and Operations | - | - | - |
| 0052 Security and Monitoring Services | - | - | - |
| 6030 Total Expenditures | <u>35,318</u> | <u>105,192</u> | <u>25,788</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | - |
| OTHER FINANCING SOURCES (USES): | | | |
| 7915 Transfers In | <u>-</u> | <u>-</u> | <u>-</u> |
| 1200 Net Change in Fund Balance | - | - | - |
| 0100 Fund Balance - July 1 (Beginning) | <u>-</u> | <u>-</u> | <u>-</u> |
| 3000 Fund Balance - June 30 (Ending) | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

| 240 National Breakfast and Lunch Program | 255 ESEA II,A Training and Recruiting | 289 Rural School Achievement | 397 Advanced Placement Incentives | 410 State Instructional Materials | 427 Math Stipends 3 E's Fund | 429 Truancy Project Grant | 480 Hillcrest Foundation Grant |
|---|--|---------------------------------------|--|--|---------------------------------------|------------------------------------|---|
| \$ 54,718 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 1,413 | - | - | 51 | 64,620 | - | - | - |
| 244,921 | - | 23,076 | - | - | - | 45,123 | - |
| 301,052 | - | 23,076 | 51 | 64,620 | - | 45,123 | - |
| - | - | 23,076 | 51 | 64,620 | 360 | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 33,695 | - |
| 353,042 | - | - | - | - | - | - | - |
| 19,086 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 11,428 | - |
| 372,128 | - | 23,076 | 51 | 64,620 | 360 | 45,123 | - |
| (71,076) | - | - | - | - | (360) | - | - |
| 75,000 | - | - | - | - | - | - | - |
| 3,924 | - | - | - | - | (360) | - | - |
| 26,619 | - | - | - | - | 360 | - | 60,000 |
| <u>\$ 30,543</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 60,000</u> |

BRACKETT INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

| Data Control Codes | 483 DG Literacy Grant | Total Nonmajor Governmental Funds |
|---|--------------------------------|--|
| REVENUES: | | |
| 5700 Total Local and Intermediate Sources | \$ - | \$ 54,718 |
| 5800 State Program Revenues | - | 66,084 |
| 5900 Federal Program Revenues | - | 479,418 |
| 5020 Total Revenues | - | 600,220 |
| EXPENDITURES: | | |
| Current: | | |
| 0011 Instruction | - | 254,405 |
| 0012 Instructional Resources and Media Services | 4 | 4 |
| 0032 Social Work Services | - | 33,695 |
| 0035 Food Services | - | 353,042 |
| 0051 Facilities Maintenance and Operations | - | 19,086 |
| 0052 Security and Monitoring Services | - | 11,428 |
| 6030 Total Expenditures | 4 | 671,660 |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | (4) | (71,440) |
| OTHER FINANCING SOURCES (USES): | | |
| 7915 Transfers In | - | 75,000 |
| 1200 Net Change in Fund Balance | (4) | 3,560 |
| 0100 Fund Balance - July 1 (Beginning) | 4 | 86,983 |
| 3000 Fund Balance - June 30 (Ending) | \$ - | \$ 90,543 |

T.E.A. REQUIRED SCHEDULES

BRACKETT INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED JUNE 30, 2020

| Last 10 Years | (1) | (2) | (3) |
|--------------------------------|-------------|--------------|--|
| | Tax Rates | | Assessed/Appraised Value for School Tax Purposes |
| | Maintenance | Debt Service | |
| 2011 and prior years | Various | Various | \$ Various |
| 2012 | 1.040000 | 0.000000 | 171,185,385 |
| 2013 | 1.040000 | 0.000000 | 177,498,255 |
| 2014 | 1.040000 | 0.000000 | 218,735,900 |
| 2015 | 1.040000 | 0.000000 | 249,952,308 |
| 2016 | 1.040000 | 0.000000 | 295,485,908 |
| 2017 | 1.040000 | 0.000000 | 302,957,596 |
| 2018 | 1.040000 | 0.000000 | 303,668,462 |
| 2019 | 1.040000 | 0.000000 | 314,817,692 |
| 2020 (School year under audit) | 0.970000 | 0.000000 | 444,282,577 |
| 1000 TOTALS | | | |

The District has two "Chapter 313 Agreements" in effect for the 2019-2020 school year in the amount of \$100,820,469. This amount is not included in the above assessed value of \$444,282,577.

| (10) Beginning Balance 7/1/2019 | (20) Current Year's Total Levy | (31) Maintenance Collections | (32) Debt Service Collections | (40) Entire Year's Adjustments | (50) Ending Balance 6/30/2020 |
|--|---|------------------------------------|-------------------------------------|---|--|
| \$ 47,815 | \$ - | \$ 551 | \$ - | \$ (947) | \$ 46,317 |
| 5,263 | - | 100 | - | (57) | 5,106 |
| 5,738 | - | 170 | - | (56) | 5,512 |
| 8,200 | - | 494 | - | (85) | 7,621 |
| 11,862 | - | 3,228 | - | (87) | 8,547 |
| 14,688 | - | 5,243 | - | (88) | 9,357 |
| 16,815 | - | 6,794 | - | (75) | 9,946 |
| 29,833 | - | 15,250 | - | (108) | 14,475 |
| 65,337 | - | 37,918 | - | (293) | 27,126 |
| - | 4,309,541 | 4,182,026 | - | (28,416) | 99,099 |
| <u>\$ 205,551</u> | <u>\$ 4,309,541</u> | <u>\$ 4,251,774</u> | <u>\$ -</u> | <u>\$ (30,212)</u> | <u>\$ 233,106</u> |

BRACKETT INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2020

| Data Control Codes | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|---|------------------|-----------|--------------------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ 78,000 | \$ 78,000 | \$ 54,718 | \$ (23,282) |
| 5800 State Program Revenues | 2,000 | 2,000 | 1,413 | (587) |
| 5900 Federal Program Revenues | 226,000 | 226,000 | 244,921 | 18,921 |
| 5020 Total Revenues | 306,000 | 306,000 | 301,052 | (4,948) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0035 Food Services | 353,335 | 375,335 | 353,042 | 22,293 |
| 0051 Facilities Maintenance and Operations | 27,665 | 27,665 | 19,086 | 8,579 |
| 6030 Total Expenditures | 381,000 | 403,000 | 372,128 | 30,872 |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | (75,000) | (97,000) | (71,076) | 25,924 |
| OTHER FINANCING SOURCES (USES): | | | | |
| 7915 Transfers In | 75,000 | 75,000 | 75,000 | - |
| 1200 Net Change in Fund Balances | - | (22,000) | 3,924 | 25,924 |
| 0100 Fund Balance - July 1 (Beginning) | 26,619 | 26,619 | 26,619 | - |
| 3000 Fund Balance - June 30 (Ending) | \$ 26,619 | \$ 4,619 | \$ 30,543 | \$ 25,924 |

**REPORTS ON
INTERNAL CONTROLS
AND
COMPLIANCE**

COLEMAN, HORTON & COMPANY, LLP

Certified Public Accountants

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

To the Board of Trustees
Brackett Independent School District
Brackettville, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brackett Independent School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Brackett Independent School District's basic financial statements and have issued our report thereon dated August 7, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Brackett Independent School 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2020-1.

Brackett Independent School District's Response to Findings

Brackett Independent School District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Brackett Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Coleman, Horton & Company, LLP

Uvalde, Texas
August 7, 2020

BRACKET INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING JUNE 30, 2020

B. Financial Statement Findings

Finding 2020-1 – Compliance with State Spending Requirements

Condition: Current reported expenditures of the dyslexia, early education and CCMR allotments are less than the required amount. Expenditures are 46%, 38% and 2% of the state funding allotment, respectively, compared to the required 100%, 100% and 55% respectively.

Criteria: State funding includes amounts designated for special student populations, including dyslexia, early education and college, career, and military readiness (CCMR) outcomes bonus allotments. State law requires districts to spend a specified percentage of the funding directly on the education of the respective population. The District is required to monitor expenditures to ensure compliance.

Cause of Condition: Monitoring of expenditures for compliance was not followed for the year.

Effect of Condition: The District was not in compliance with state spending requirements for the dyslexia, early education and CCMR allotments.

Recommendation: The District needs to follow the established procedures for monitoring compliance and adjusting required spending to be compliant. The District should prepare a plan to capture and monitor expenditures on these programs for future years.

Client Response: The Chief Financial Officer will maintain schedules showing amounts of estimated state funding and required expenditures by categorical program compared to budgeted and actual expenditures of each program. The Chief Financial Officer will advise the Superintendent on the status of compliance and recommend revised appropriations if necessary. Actual expenditures will be monitored against the budget to ensure compliance with final actual expenditures.