

**BRAZOSPORT
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
AUGUST 31, 2020**



**8 WEST WAY COURT
LAKE JACKSON, TEXAS 77566**

THIS PAGE LEFT BLANK INTENTIONALLY.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report
For the Year Ended August 31, 2020*

Table of Contents

<u>Exhibit Number</u>		<u>Page Number</u>
Introductory Section		
	Certificate of Board	7
Financial Section		
	Independent Auditor's Report	11-13
	Management's Discussion and Analysis	15-26
	Basic Financial Statements:	
A-1	Statement of Net Position	28-29
B-1	Statement of Activities	31
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	32-33
C-1R	Reconciliation of C-1	34
C-2	Statement of Revenues, Expenditures, and Changes in Fund Balance	36-37
C-2R	Reconciliation of C-2	38
	Proprietary Fund Financial Statements:	
D-1	Statement of Net Position	39
D-2	Statement of Revenues, Expenses, and Changes in Fund Net Position	40
D-3	Statement of Cash Flows	41
	Fiduciary Fund Financial Statements:	
E-1	Statement of Net Position	42
E-2	Statement of Changes in Net Position	43
	Notes to the Financial Statements	46-89
Required Supplementary Information		
G-1	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	93
G-2	Schedule of Proportionate Share of the Net Pension Liability and Related Ratios - Cost Sharing Employer Plan	94-95
G-3	Schedule of Required Contributions - Cost Sharing Employer Plan	96-97
G-4	Schedule of Proportionate Share of the Net OPEB Liability and Related Ratios - Cost Sharing Employer Plan	98
G-5	Schedule of Required OPEB Contributions - Cost Sharing Employer Plan	99
Other Supplementary Information		
	Nonmajor Governmental Funds:	
H-1	Combining Balance Sheet	102-105
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	106-109
	Internal Service Funds:	
H-3	Combining Statement of Net Position	110
H-4	Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	111
H-5	Combining Statement of Cash Flows	112

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

Annual Financial Report
For the Year Ended August 31, 2020

Table of Contents - Continued

<u>Exhibit Number</u>		<u>Page Number</u>
Other Supplementary Information (continued)		
	Required Texas Education Agency Schedules:	
J-1	Schedule of Delinquent Taxes Receivable	114-115
J-4	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - National School Breakfast and Lunch Program	116
J-5	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Debt Service Fund	117
Federals Award Section		
	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 <i>Government Auditing Standards</i>	121-122
	Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	123-124
	Schedule of Findings and Questioned Costs.....	125
	Schedule of Status of Prior Findings	126
	Corrective Action Plan	127
K-1	Schedule of Expenditures of Federal Awards.....	128-129
	Notes on Accounting Policies for Federal Awards.....	130

INTRODUCTORY SECTION

THIS PAGE LEFT BLANK INTENTIONALLY.

CERTIFICATE OF BOARD

Brazosport Independent School District
Name of School District

Brazoria
County

020-905
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2020, at a meeting of the board of trustees of such school district on the 14th day of December 2020.



Jerry Adkins
Signature of Board Secretary



Mason Howard
Signature of Board President

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

THIS PAGE LEFT BLANK INTENTIONALLY.

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY.



INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Brazosport Independent School District
Freeport, TX 77542

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 Brazosport Independent School District (the "District"), as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Lake Jackson
8 W Way Ct.
Lake Jackson, TX 77566
979-297-4075

El Campo
201 W. Webb St.
El Campo, TX 77437
979-543-6836

Angleton
2801 N. Velasco, Suite C
Angleton, TX 77515
979-849-8297

Bay City
2245 Avenue G
Bay City, TX 77414
979-245-9236



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, required pension schedules and required OPEB schedules on pages 15 through 26 and 93 through 99 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements, required Texas Education Agency schedules, and the schedule of expenditures of federal awards 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 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Board of Trustees
Brazosport Independent School District
Freeport, Texas 77542
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KM&L, LLC

Lake Jackson, Texas
December 4, 2020

THIS PAGE LEFT BLANK INTENTIONALLY.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2020

As management of the Brazosport Independent School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2020. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent period by \$ 67,014,929 (*net position*). Of this amount, unrestricted net position is a deficit of \$ 36,033,229.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 233,837,559. Approximately 23.04% of this total amount, \$ 53,871,179, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 53,871,179, or 34.92% of the total general fund expenditures.
- The District reported net pension liability of \$ 47,496,966 and a net OPEB liability of \$ 54,308,834, at August 31, 2020, with the implementation of GASB Statements 68, 71, and 75. With the addition of these non-current liabilities on an accrual basis, the District reported a deficit unrestricted net position in the amount of \$ 36,033,229.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between these reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no *business-type activities* for which it is financially accountable. The government-wide financial statements can be found on pages 28 through 31 of this report.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2020

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole.

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District maintains twenty-seven (27) governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other twenty-four (24) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund, national school breakfast and lunch program food service special revenue fund, and debt service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 32 through 38 of this report.
- **Proprietary funds.** *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. As mentioned above in the government-wide definition, the District has no *business-type activities* or *enterprise funds*. The second type of proprietary fund is the *internal service fund*. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the *internal service fund* to report activities for its self-funded dental and workers' compensation insurance programs. The basic proprietary fund financial statements can be found on pages 39 through 41 of this report.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2020

- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position that can be found on pages 42 through 43. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 46 through 89 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 93 through 99 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements can be found on pages 102 through 109 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 67,014,929 as of August 31, 2020. Net position of the District's governmental activities increased by \$ 7,438,704, from \$ 59,576,225 to \$ 67,014,929.

The District's Net Position

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 257,292,014	\$ 182,932,094
Capital assets	<u>306,333,609</u>	<u>235,446,510</u>
Total assets	<u>563,625,623</u>	<u>418,378,604</u>
Deferred outflows of resources	<u>34,748,941</u>	<u>31,166,585</u>
Total deferred outflows of resources	<u>34,748,941</u>	<u>31,166,585</u>
Long-term liabilities outstanding	479,153,449	350,332,362
Other liabilities	<u>20,972,081</u>	<u>19,582,626</u>
Total liabilities	<u>500,125,530</u>	<u>369,914,988</u>
Deferred inflows of resources	<u>31,234,105</u>	<u>20,053,976</u>
Total deferred inflows of resources	<u>31,234,105</u>	<u>20,053,976</u>
Net Position:		
Net investment in capital assets	86,225,158	68,132,760
Restricted	16,823,000	20,393,220
Unrestricted	<u>(36,033,229)</u>	<u>(28,949,755)</u>
Total net position	<u>\$ 67,014,929</u>	<u>\$ 59,576,225</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT*MANAGEMENT'S DISCUSSION AND ANALYSIS*

AUGUST 31, 2020

Investment in capital assets (e.g., land, buildings and improvements, furniture, equipment and vehicles, and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$ 86,225,158. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, \$ 16,823,000 represents resources that are subject to external restrictions on how they may be used. The remaining balance is a deficit of \$ 36,033,229, which represents unrestricted net position. The deficit is not an indication that the District does not have significant resources available to meet financial obligations next year, but rather the result of having long-term commitments, specifically the net pension liability and net OPEB liability that are less than currently available resources.

Governmental activities. The District's total net position increased \$ 7,438,704. The total cost of all *governmental activities* this year was \$ 198,128,840. The amount that our taxpayers paid for these activities through property taxes was \$ 160,764,228 or 81.14%.

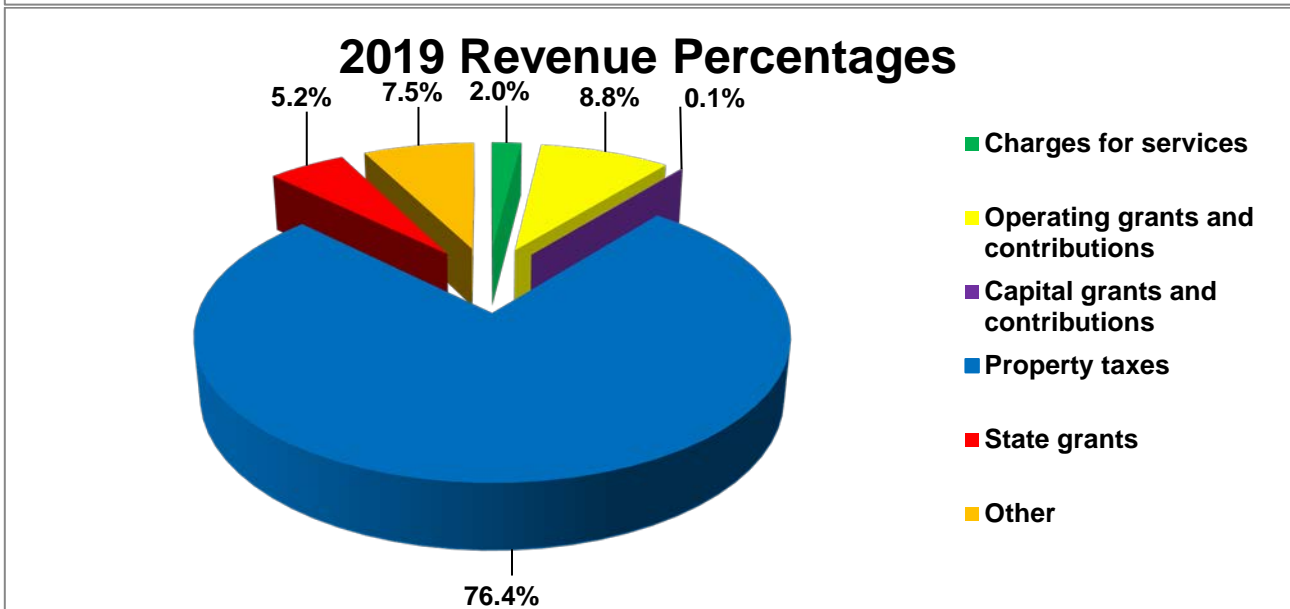
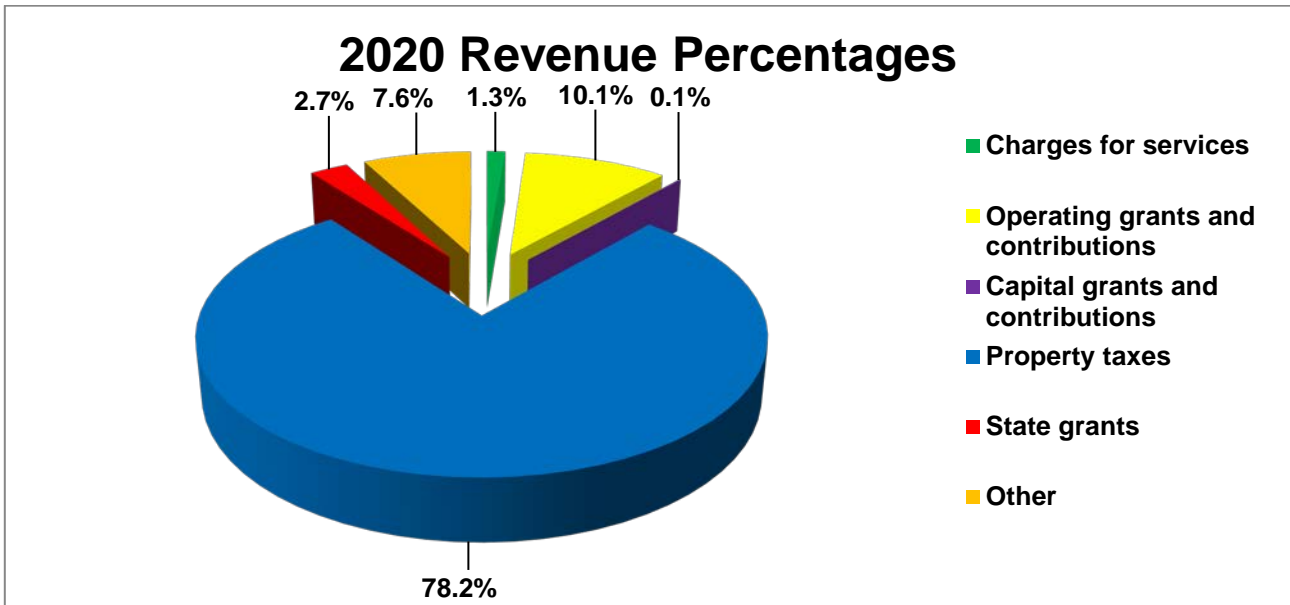
Changes in the District's Net Position

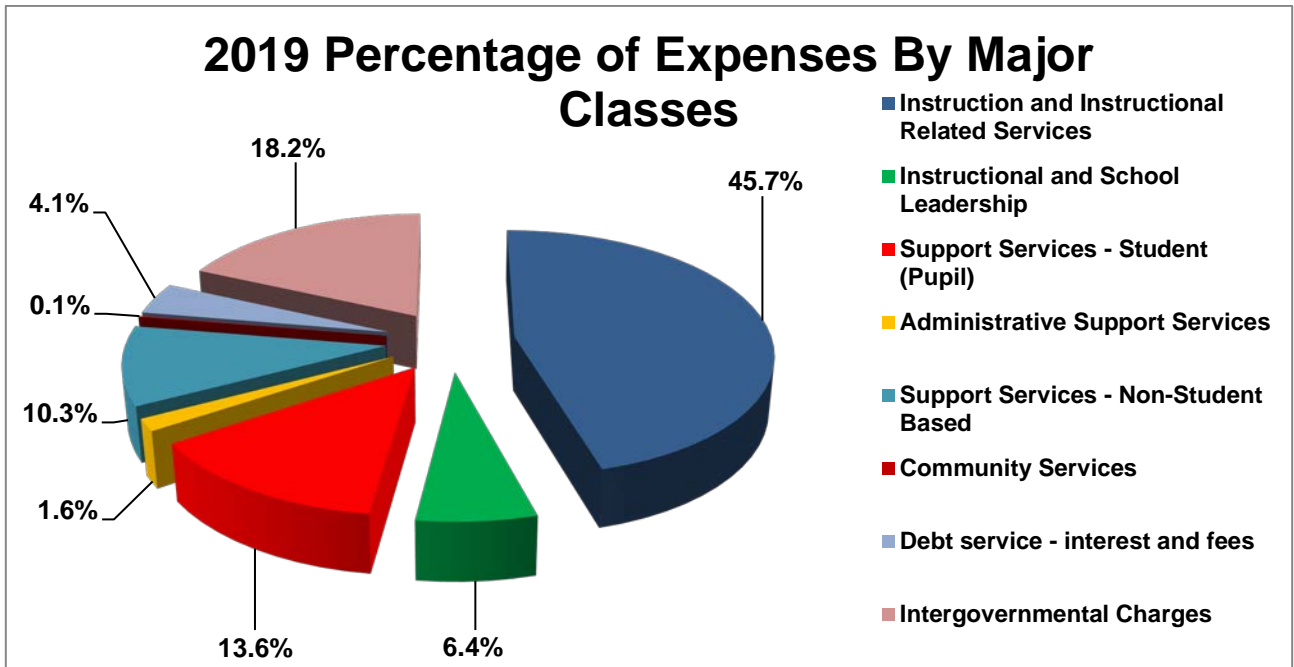
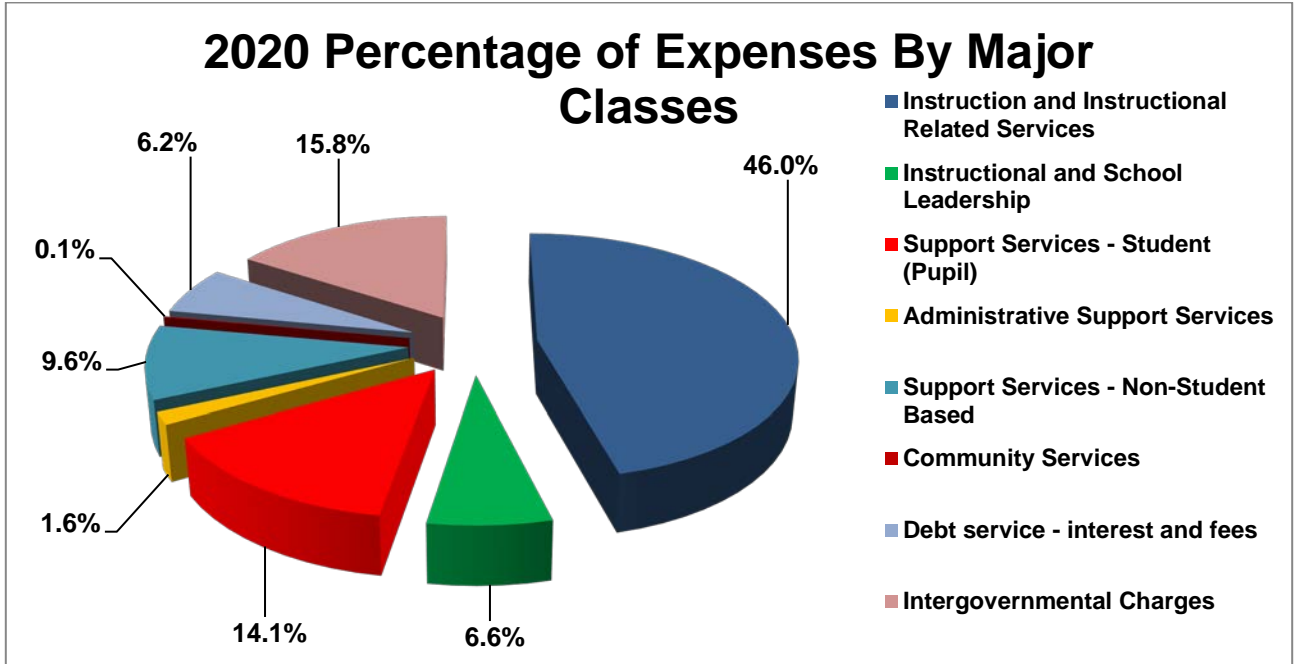
	<u>2020</u>	<u>2019</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 2,773,664	\$ 4,507,107
Operating grants and contributions	20,741,762	19,560,818
Capital grants and contributions	28,347	5,108
General Revenues:		
Property taxes	160,764,228	169,082,313
State grants	5,635,487	11,505,499
Other	<u>15,624,056</u>	<u>16,546,940</u>
Total revenues	<u>205,567,544</u>	<u>221,207,785</u>
Expenses:		
Instruction	85,011,094	80,705,471
Instructional resources and media services	2,284,466	2,105,755
Curriculum and instructional staff development	3,773,403	4,094,514
Instructional leadership	3,531,348	3,224,823
School leadership	9,537,097	8,984,748
Guidance, counseling and evaluation services	6,516,618	5,642,937
Social work services	659,390	639,862
Health services	1,559,815	1,472,558
Student transportation	4,134,662	3,659,217
Food services	8,166,260	7,875,045
Extracurricular activities	6,870,719	6,609,140
General administration	3,228,080	3,075,547
Facilities maintenance and operations	14,271,154	14,307,906
Security and monitoring services	2,272,438	2,037,705
Data processing services	2,469,299	3,301,398
Community services	29,488	37,657
Debt service	12,251,793	7,897,959

(continued)

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 AUGUST 31, 2020

	<u>2020</u>	<u>2019</u>
Contracted instructional services between public schools	\$ 30,304,764	\$ 33,392,489
Payments related to shared services arrangements	61,500	98,400
Payments to juvenile justice alternative education programs	13,300	56,600
Other governmental charges	<u>1,182,152</u>	<u>1,111,841</u>
 Total expenses	 <u>198,128,840</u>	 <u>190,331,572</u>
 Increase in net position	 7,438,704	 30,876,213
 Net position - beginning	 <u>59,576,225</u>	 <u>28,700,012</u>
 Net position - ending	 <u>\$ 67,014,929</u>	 <u>\$ 59,576,225</u>





BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2020

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 233,837,559, an increase of \$ 73,127,726. Approximately 23.04% of this total amount, \$ 53,871,179, constitutes *unassigned fund balance*. The remainder of fund balance is *nonspendable, restricted, committed* or *assigned* to indicate that it is not available for new spending because it has already been classified 1) for inventories \$ 422,492, 2) for prepaid items \$ 1,895,544, 3) for grant funds \$ 133,420, 4) for capital acquisitions and contractual obligations \$ 144,685,026, 5) for debt service \$ 14,793,993, 6) other restricted \$ 2,235,905, 7) claims and judgments \$ 250,000, 8) capital expenditures for equipment \$ 5,550,000, and 9) other assigned \$ 10,000,000.

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 53,871,179, while the total fund balance was \$ 71,424,188. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 34.92% of the total general fund expenditures, while total fund balance represents 46.29% of that same amount.

The fund balance of the District's general fund decreased \$ 3,403,898 during the current fiscal year. Key factors related to this change are as follows:

- Adopted budget with a projected \$ 179,334 surplus
- Estimated revenue loss and supplemental payments related to Chapter 313 agreements were less than budgeted
- The reserve for debt service is budgeted as an expenditure
- Received a refund for prior year recapture after property value appeal
- Other functional expenditures were less than amounts originally budgeted due to unexpended contingencies

The debt service fund has a total fund balance of \$ 14,793,993, all of which is restricted for the payment of debt service. The net increase in fund balance during the period in the debt service fund was \$ 803,306. Following are factors contributing to this change:

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2020

- Adopted budget projected a \$314,369 surplus
- The District currently has one QZAB bond outstanding, which requires annual payments totaling \$ 401,939 to be made into a sinking fund. Funding necessary to make the payments is received from property tax collections. Tax collections are recorded as revenues, which increase fund balance, however, payments into the sinking fund are not considered expenditures until the bonds mature.

The capital projects fund has a total fund balance of \$ 145,168,026, with \$ 144,685,026 being restricted for the acquisition of capital contractual obligations. The net increase in fund balance during the period in the capital projects fund was \$ 75,811,429. Following are factors contributing to this change:

- Planned expenditures associated with the 2012 and 2014 Bond programs
- Issuance of voter authorized debt from the 2019 bond program

Proprietary funds. As mentioned earlier, the District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at August 31, 2020 amounted to \$ 2,315,544. The total decrease in net position was \$ 31,588.

General Fund Budgetary Highlights

The District made the following amendments to budgeted revenue.

- \$ 9,540 increase to reflect a Youth Mental First Aid Grant

Following is a summary of amendments made to appropriations:

- \$ 6.056 million increase for the accrued cost of recapture for August 2020
- \$ 4.120 million increase to meet current debt obligation related to 2010 Limited Tax Note

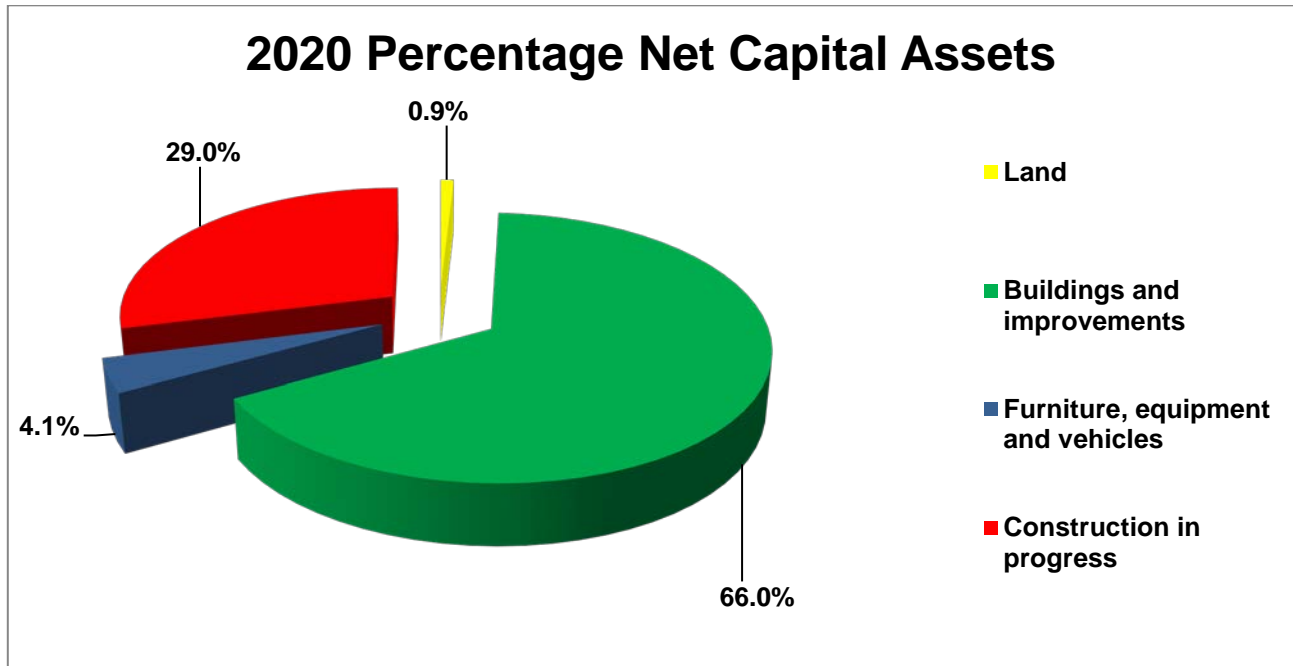
BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 AUGUST 31, 2020

Capital assets. The District's investments in capital assets for its governmental activities as of August 31, 2020 amounts to \$ 306,333,609 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture, equipment and vehicles, and construction in progress.

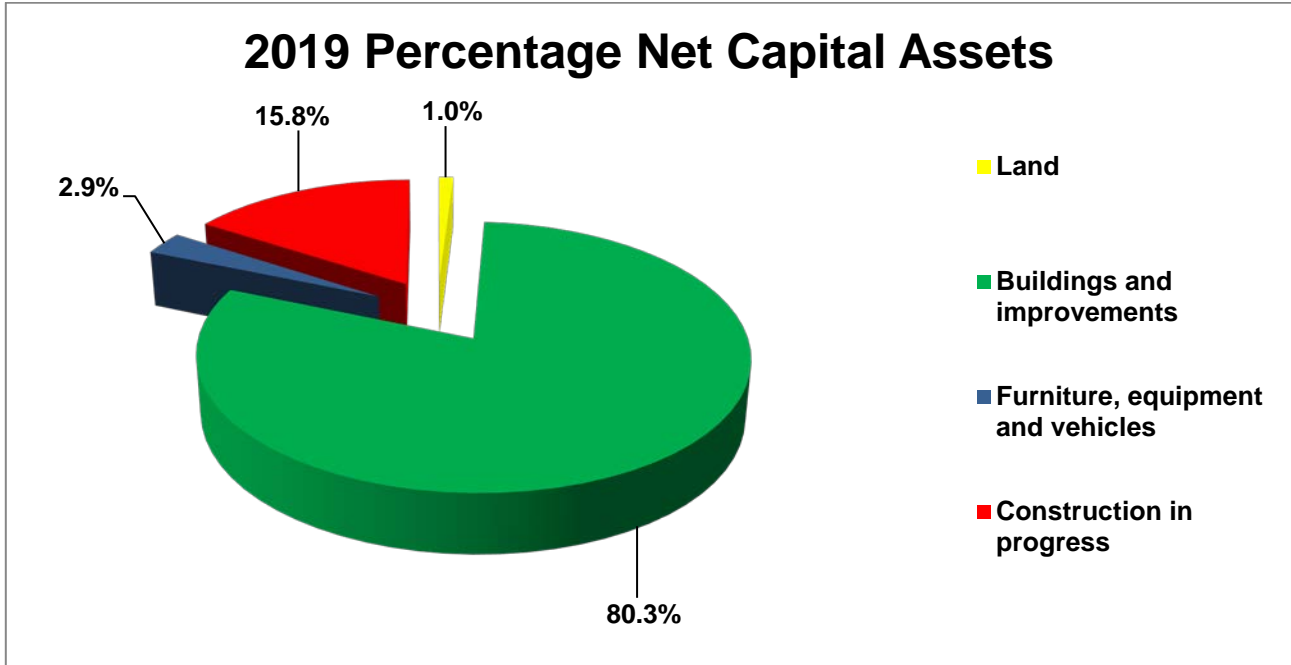
**District's Capital Assets
 (net of depreciation)**

	<u>2020</u>	<u>2019</u>
Land	\$ 2,681,923	\$ 2,260,973
Buildings and improvements	202,286,115	189,296,238
Furniture, equipment and vehicles	12,618,875	6,776,794
Construction in progress	<u>88,746,696</u>	<u>37,112,505</u>
 Total at historical cost	 <u>\$ 306,333,609</u>	 <u>\$ 235,446,510</u>

Additional information on the District's capital assets can be found in Note 5 on pages 66 through 67 of this report.



BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 AUGUST 31, 2020

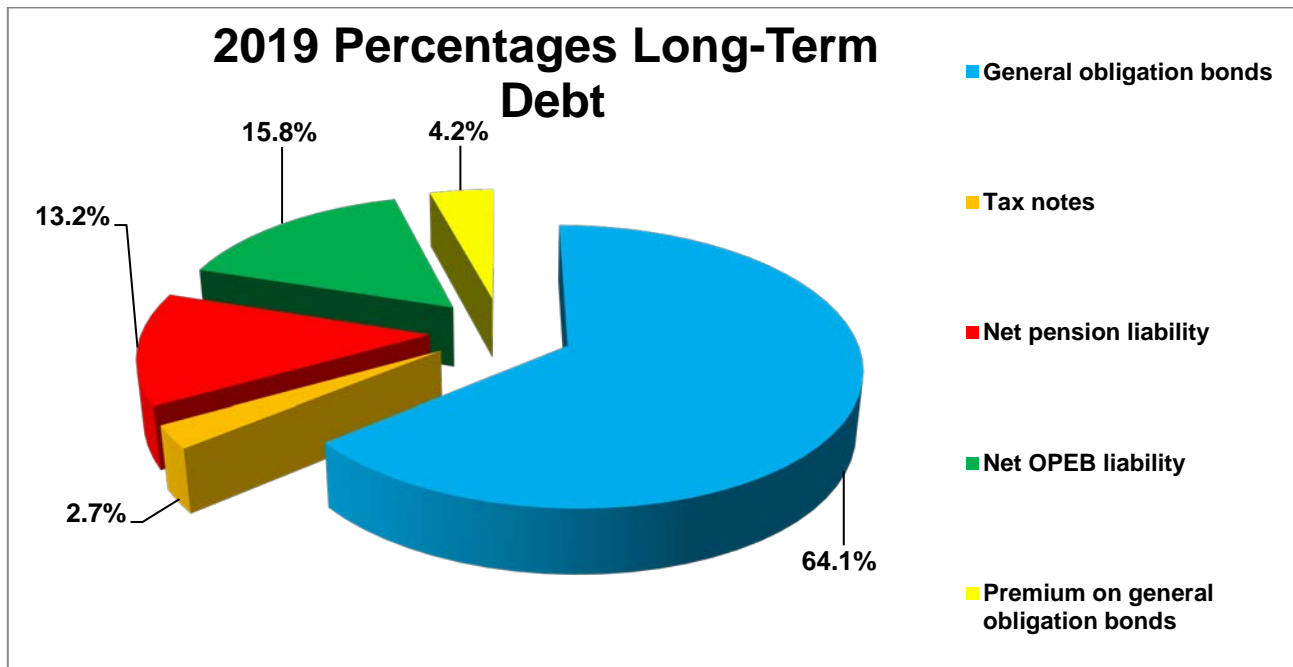
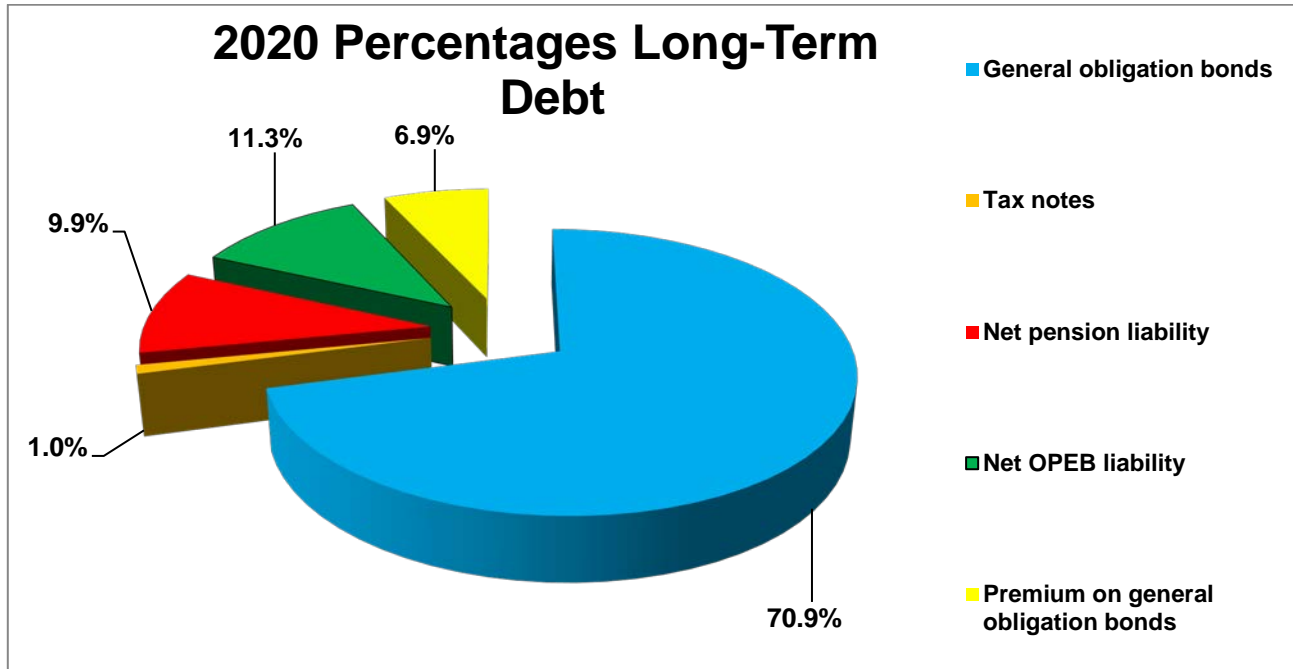


Long-term debt. At August 31, 2020, the District had total long-term debt outstanding of \$ 479,153,449. Long-term debt is made of general obligation bonds of \$ 339,784,043, tax notes of \$ 4,695,000, net pension liability of \$ 47,496,966, net OPEB liability of \$ 54,308,834, premium on general obligation bonds of \$ 32,868,606.

District's Long-Term Debt:

	<u>2020</u>	<u>2019</u>
General obligation bonds	\$ 339,784,043	\$ 224,644,037
Tax notes	4,695,000	9,330,000
Net pension liability	47,496,966	46,141,942
Net OPEB liability	54,308,834	55,420,468
Premium on general obligation bonds	<u>32,868,606</u>	<u>14,795,915</u>
 Total long-term debt	 <u>\$ 479,153,449</u>	 <u>\$ 350,332,362</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2020



Moody's Aaa rating on the District's bonded indebtedness is provided by a guarantee of the Texas Permanent School Fund for timely payment of principal and interest in the event the District is unable to meet debt service requirements. Moody's Aaa underlying rating is representative of the District's sizable but highly concentrated tax base, low debt levels, and modest financial reserves.

Additional information on the District's long-term debt and capital leases can be found in Note 6 on pages 68 through 71 of this report.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2020

Economic Factors and Next Year's Budgets and Rates

- The District prepared the 2020-21 budgets with a tax rate of \$1.1817 per \$100 property valuation, a .003 cent reduction from 2019-20. The General Fund (M&O) rate is \$0.9664 and Debt Service (I&S) rate is \$0.2153. The District is estimating 2020 M&O and the I&S net taxable values to decrease by 14.8% and increase by 24.52%, respectively from 2019 values. With the decrease in the M&O rate and values, we are budgeting approximately \$18.2 million less in property tax revenue to the general fund. Maintaining the same I&S rate and with an increase in values, we will generate an additional \$8.6 million to the debt service fund.
- Weighted Average Daily Attendance (WADA) for 2020-21 is projected at 14,277, which is an increase from 15,285 from 2019-20 budgeted WADA. State funding will increase by approximately \$2.25 million based on entitlement changes and local property collections. The District will pay over \$16 million back to the state in recapture payments for 2020-21, which is over a \$10 million reduction from the \$27.6 million budgeted for 2019-20.
- Payroll appropriations include \$2.15 million for a 2% one-time salary increase based on pay grade midpoint. The increase will not be added to the employees' base pay; however, it will be accrued through the 2020-21 school year. Payroll appropriations make up 87.56% of total general fund expenditures, excluding recapture. Other expenditure categories make up the remaining 12.44% and were reduced by 2%, or \$435,000.

These indicators were taken into account when adopting the budgets for 2020-21. The District has appropriated general fund revenues and expenditures in the 2020-2021 budget of \$140,697,933 and \$ 145,322,258, respectively. Total budgeted revenues decreased 9.29% and total expenditures decreased by 6.21% from the 2019-2020 budget.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Chief Finance and Governmental Affairs Officer, Brazosport Independent School District, P.O. Drawer Z, Freeport, Texas, 77542.

THIS PAGE LEFT BLANK INTENTIONALLY.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2020

Exhibit A-1
Page 1 of 2

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	ASSETS:	
1110	Cash and cash equivalents	\$ 245,281,121
1120	Current investments	4,693,571
1220	Property taxes receivable	1,596,674
1230	Allowance for uncollectible taxes	(751,938)
1240	Due from other governments	4,092,655
1290	Other receivables (net)	61,895
1300	Inventories	422,492
1410	Prepaid items	1,895,544
	Capital Assets:	
1510	Land	2,681,923
1520	Building and improvements (net)	202,286,115
1530	Furniture, equipment and vehicles (net)	12,618,875
1580	Construction in progress	<u>88,746,696</u>
1000	Total assets	<u>563,625,623</u>
	DEFERRED OUTFLOWS OF RESOURCES	
1700	Deferred outflows of resources	<u>34,748,941</u>
	Total deferred outflows of resources	<u>34,748,941</u>
	LIABILITIES:	
2110	Accounts payable	10,170,405
2140	Accrued interest payable	550,029
2150	Payroll deductions and withholdings	1,015,066
2160	Accrued wages payable	6,312,371
2165	Accrued liabilities	219,166
2180	Due to other governments	2,558,039
2300	Unearned revenue	147,005
	Noncurrent Liabilities:	
2501	Due within one year	31,173,165
	Due in more than one year:	
2502	Bonds payable and other	346,174,484
2540	Net pension liability	47,496,966
2545	Net OPEB liability	<u>54,308,834</u>
2000	Total liabilities	<u>500,125,530</u>
	DEFERRED INFLOWS OF RESOURCES	
2600	Deferred inflows of resources	<u>31,234,105</u>
	Total deferred inflows of resources	<u>31,234,105</u>

(continued)

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION - Continued
AUGUST 31, 2020

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	NET POSITION:	
3200	Net investment in capital assets	\$ 86,225,158
	Restricted For:	
3820	Federal and state programs	215,447
3850	Debt service	14,371,648
3870	Campus activities	1,100,499
3890	Other	1,135,406
3900	Unrestricted	<u>(36,033,229)</u>
3000	Total net position	<u>\$ 67,014,929</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2020

Exhibit B-1

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues			Net Expense and Change in Net Position
			3 Charges for Services	4 Operating Grants and Contributions	5 Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES:						
11	Instruction	\$ 85,011,094	\$ 395,388	\$ 10,207,907	\$ 28,347	\$(74,379,452)
12	Instructional resources and media services	2,284,466	7,468	173,895		(2,103,103)
13	Curriculum and instructional staff development	3,773,403	11,780	582,598		(3,179,025)
21	Instructional leadership	3,531,348	11,424	462,384		(3,057,540)
23	School leadership	9,537,097	46,023	491,934		(8,999,140)
31	Guidance, counseling, and evaluation services	6,516,618	27,827	1,349,021		(5,139,770)
32	Social work services	659,390	1,422	258,439		(399,529)
33	Health services	1,559,815	7,794	80,205		(1,471,816)
34	Student transportation	4,134,662	19,767	143,483		(3,971,412)
35	Food services	8,166,260	1,153,235	5,279,472		(1,733,553)
36	Extracurricular activities	6,870,719	1,006,425	209,113		(5,655,181)
41	General administration	3,228,080	8,387	418,793		(2,800,900)
51	Facilities maintenance and operations	14,271,154	53,550	382,763		(13,834,841)
52	Security and monitoring services	2,272,438	12,476	173,821		(2,086,141)
53	Data processing services	2,469,299	9,957	119,912		(2,339,430)
61	Community services	29,488	741	21,479		(7,268)
71	Debt service	12,251,793		386,543		(11,865,250)
91	Contracted instructional services between public schools	30,304,764				(30,304,764)
93	Payments related to shared service arrangements	61,500				(61,500)
95	Payments for juvenile justice alternative education programs	13,300				(13,300)
99	Other intergovernmental charges	1,182,152				(1,182,152)
TG	Total governmental activities	<u>\$ 198,128,840</u>	<u>\$ 2,773,664</u>	<u>\$ 20,741,762</u>	<u>\$ 28,347</u>	<u>\$(174,585,067)</u>
General revenues:						
Taxes:						
MT	Property taxes, levied for general purposes					\$ 126,025,667
DT	Property taxes, levied for debt service					34,738,561
SF	State aid-formula grants					5,635,487
GC	Grants and contributions not restricted to specific programs					1,488,155
IE	Investment earnings					4,523,427
MI	Miscellaneous					9,566,316
S1	Special item - gain on sale of fixed assets					46,158
TG	Total general revenues					<u>182,023,771</u>
CN	Change in net position					7,438,704
NB	Net position - beginning					<u>59,576,225</u>
NE	Net position - ending					<u>\$ 67,014,929</u>

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2020

Exhibit C-1
Page 1 of 2

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:						
Assets:						
1110	Cash and cash equivalents	\$ 73,033,175	\$ 14,376,022	\$ 153,264,580	\$ 4,419,671	\$ 245,093,448
1120	Current investments	1,945,302			401,318	2,346,620
1220	Property taxes receivable	1,323,515	273,159			1,596,674
1230	Allowance for uncollectible taxes (credit)	(629,098)	(122,840)			(751,938)
1240	Receivables from other governments	284,390			3,808,265	4,092,655
1260	Due from other funds	5,047,853	403,720	47,401	241,485	5,740,459
1290	Other receivables	31,319			30,490	61,809
1300	Inventories	340,465			82,027	422,492
1410	Prepaid items	<u>1,412,544</u>		<u>483,000</u>		<u>1,895,544</u>
1000	Total assets	<u>82,789,465</u>	<u>14,930,061</u>	<u>153,794,981</u>	<u>8,983,256</u>	<u>260,497,763</u>
Deferred Outflows of Resources:						
1700	Deferred outflows of resources					
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1000A	Total assets and deferred outflows of resources	<u>\$ 82,789,465</u>	<u>\$ 14,930,061</u>	<u>\$ 153,794,981</u>	<u>\$ 8,983,256</u>	<u>\$ 260,497,763</u>

(continued)

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2020

Exhibit C-1
Page 2 of 2

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:					
Liabilities:					
2110	Accounts payable	\$ 781,409	\$ 8,620,881	\$ 768,115	\$ 10,170,405
2150	Payroll deductions and withholdings	1,015,066			1,015,066
2160	Accrued wages payable	5,816,139	6,074	490,158	6,312,371
2170	Due to other funds	605,449		5,135,010	5,740,459
2180	Payable to other governments	2,558,039			2,558,039
2300	Unearned revenue		8,384	138,621	147,005
2000	Total liabilities	<u>10,776,102</u>	<u>8,384</u>	<u>6,531,904</u>	<u>25,943,345</u>
Deferred Inflows of Resources:					
2600	Deferred inflows of resources - property taxes	589,175	127,684		716,859
	Total deferred inflows of resources	<u>589,175</u>	<u>127,684</u>	<u>-0-</u>	<u>716,859</u>
Fund Balance:					
Nonspendable:					
3410	Inventories	340,465		82,027	422,492
3430	Prepaid items	1,412,544	483,000		1,895,544
Restricted:					
3450	Grant funds			133,420	133,420
3470	Capital acquisitions and contractual obligations		144,685,026		144,685,026
3480	Debt service		14,793,993		14,793,993
3490	Other			2,235,905	2,235,905
Committed:					
3520	Claims and judgments	250,000			250,000
3530	Capital expenditures for equipment	5,550,000			5,550,000
Assigned:					
3590	Other	10,000,000			10,000,000
Unassigned:					
3600	Unassigned fund balance	<u>53,871,179</u>			<u>53,871,179</u>
3000	Total fund balance	<u>71,424,188</u>	<u>14,793,993</u>	<u>2,451,352</u>	<u>233,837,559</u>
4000	Total liabilities, deferred inflows of resources and fund balance	<u>\$ 82,789,465</u>	<u>\$ 14,930,061</u>	<u>\$ 8,983,256</u>	<u>\$ 260,497,763</u>

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
AUGUST 31, 2020

Exhibit C-1R

Total fund balances - governmental funds balance sheet (C-1)	\$ 233,837,559
Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 414,588,705 in assets less \$ 108,255,096 in accumulated depreciation.	306,333,609
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. Deferred property tax revenues for the general fund and the debt service fund amounted to \$ 589,175 and \$ 127,684, respectively.	716,859
Other long-term assets are not available to pay for current year expenditures and, therefore, are not reported in the funds. This is the bond refunding costs, which is amortized over the life of the refunding bonds, or the refunded bonds, whichever is shorter. Net bond refunding costs were \$ 58,176 (bond refunding costs of \$ 222,211 less accumulated amortization of \$ 164,035).	58,176
Pension deferred outflows of resources of \$ 25,299,954 less pension deferred inflows of resources of \$ 7,739,296.	17,560,658
OPEB deferred outflows of resources of \$ 9,390,811 less OPEB deferred inflows of resources of \$ 23,494,809.	(14,103,998)
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net position. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds were \$ 32,868,606 (premium on sale of bonds of \$ 40,885,105 less amortization of \$ 8,016,499).	(32,868,606)
The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	2,315,544
Payables for net pension liability are not reported in the funds.	(47,496,966)
Payables for bond principal are not reported in the funds.	(339,784,043)
Payable for tax note principal are not reported in the funds.	(4,695,000)
Payables for net OPEB liability are not reported in the funds.	(54,308,834)
Payables for accrued interest are not reported in the funds.	<u>550,029</u>
Net position of governmental activities - statement of net position (A-1)	<u>\$ 67,014,929</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2020

Exhibit C-2
Page 1 of 2

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
	REVENUES:					
5700	Local and intermediate sources	\$137,179,523	\$ 35,117,200	\$ 2,627,273	\$ 2,890,020	\$177,814,016
5800	State program revenues	11,771,648	101,827		905,036	12,778,511
5900	Federal program revenues	<u>2,093,273</u>			<u>12,059,566</u>	<u>14,152,839</u>
5020	Total revenues	<u>151,044,444</u>	<u>35,219,027</u>	<u>2,627,273</u>	<u>15,854,622</u>	<u>204,745,366</u>
	EXPENDITURES:					
	Current:					
0011	Instruction	67,438,245		148,167	5,930,023	73,516,435
0012	Instructional resources and media services	1,571,802		566,214	25,967	2,163,983
0013	Curriculum and instructional staff development	3,111,497			446,353	3,557,850
0021	Instructional leadership	2,950,308			284,715	3,235,023
0023	School leadership	8,395,441			8,833	8,404,274
0031	Guidance, counseling, and evaluation services	5,020,924			1,040,202	6,061,126
0032	Social work services	403,701			242,461	646,162
0033	Health services	1,403,662				1,403,662
0034	Student transportation	2,538,609		2,818,317	4,836	5,361,762
0035	Food services			25,276	7,012,624	7,037,900
0036	Extracurricular activities	4,099,563		140,876	926,605	5,167,044
0041	General administration	2,904,472			89,265	2,993,737
0051	Facilities maintenance and operations	13,068,442		1,001,242	37,926	14,107,610
0052	Security and monitoring services	2,062,789		723,161	67,694	2,853,644
0053	Data processing services	2,280,378		3,249,879	8,986	5,539,243
0061	Community services	8,041			20,619	28,660
	Debt Service:					
0071	Debt service - principal	4,635,000	23,690,000			28,325,000
0071	Debt service - interest and fees	409,584	13,756,221			14,165,805
	Capital Outlay:					
0081	Facilities acquisition and construction	420,950		74,142,712		74,563,662
	Intergovernmental:					
0091	Contracted instructional services between public schools	30,304,764				30,304,764
0093	Payments related to shared services arrangements	61,500				61,500
0095	Payments to juvenile justice alternative education programs	13,300				13,300
0099	Other intergovernmental charges	<u>1,182,152</u>				<u>1,182,152</u>
6030	Total expenditures	<u>154,285,124</u>	<u>37,446,221</u>	<u>82,815,844</u>	<u>16,147,109</u>	<u>290,694,298</u>
1100	Deficiency of revenues over expenditures	(3,240,680)	(2,227,194)	(80,188,571)	(292,487)	(85,948,932)

(continued)

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2020

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
	OTHER FINANCING SOURCES (USES):					
7911	Issuance of general obligation bonds	\$	\$	\$138,750,000	\$	\$138,750,000
7912	Sale of real and personal property	27,023			19,135	46,158
7915	Transfers in	59,759			382,388	442,147
7916	Premium on issuance of general obligation bonds		3,030,500	17,250,000		20,280,500
8911	Transfers out	(250,000)			(192,147)	(442,147)
	Total other financing sources (uses)	(163,218)	3,030,500	156,000,000	209,376	159,076,658
1200	Net change in fund balance	(3,403,898)	803,306	75,811,429	(83,111)	73,127,726
0100	Fund balance - beginning	74,828,086	13,990,687	69,356,597	2,534,463	160,709,833
3000	Fund balance - ending	\$ 71,424,188	\$ 14,793,993	\$145,168,026	\$ 2,451,352	\$233,837,559

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

Exhibit C-2R

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2020**

Net change in fund balance - total governmental funds (from C-2)	\$ 73,127,726
Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$ 83,220,653 exceeded depreciation of \$ 12,333,554 in the current period.	70,887,099
Government funds report pension payments as expenditures. However, in the governmental activities statement of activities, the pension cost is calculated by an actuary and involves multiple factors. The amount of pension expense reported was \$ 6,845,291 more than the amount reported in the funds.	(6,845,291)
Government funds report OPEB payments as expenditures. However, in the governmental activities statement of activities, the OPEB cost is calculated by an actuary and involves multiple factors. The amount of OPEB expense reported was \$ 967,439 more than the amount reported in the funds.	(967,439)
Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Deferred property tax revenues for the general fund increased by \$ 44,742 and for the debt service fund increased by \$ 14,943.	59,685
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net position. These amounts were for general obligation bonded debt \$ 23,690,000 and tax notes of \$ 4,635,000.	28,325,000
Premium on the issuance of bonds provides current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net position. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds was \$ 18,072,691. (Premium on bonds issued of \$ 20,280,500 less current amortization of \$ 2,207,809).	(18,072,691)
Long-term debt proceeds provide current financial resources to government funds, but issuing debt increases long-term liabilities in the governmental activities statement of net position. Long-term debt proceeds from general obligation bonds were \$ 138,750,000.	(138,750,000)
Deferred outflows on gains and losses on debt refundings are amortized over the term of the bonds in the statement of activities but are expensed in the year incurred in governmental funds.	(28,433)
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in accrued interest on long-term debt.	(185,358)
Internal service funds are used by management to charge the costs of insurance and health and worker's compensation to individual funds. The net expense of the internal service funds is reported in the governmental activities statement of activities (see D-2)	(31,588)
Accretion of capital appreciation bonds increases debt service interest expense in the governmental activities statement of activity but is not reported in governmental funds.	(80,006)
Change in net position of governmental activities (see B-1)	<u>\$ 7,438,704</u>

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2020

Exhibit D-1

<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Funds (See H-3)</u>
	Assets and Deferred Outflows of Resources:	
	Assets:	
1110	Cash and cash equivalents	\$ 187,673
1120	Investments	2,346,951
1290	Other receivables (net)	<u>86</u>
1000	Total assets	<u>2,534,710</u>
	Deferred Outflows of Resources:	
1700	Deferred outflows of resources	<u> </u>
	Total deferred outflows of resources	<u>-0-</u>
	Total assets and deferred outflows of resources	<u>\$ 2,534,710</u>
	Liabilities, Deferred Outflows of Resources and Net Position:	
	Liabilities:	
2165	Accrued liabilities	\$ <u>219,166</u>
2000	Total liabilities	<u>219,166</u>
	Deferred Inflows of Resources	
2600	Deferred inflows of resources	<u> </u>
	Total deferred inflows of resources	<u>-0-</u>
	Net Position	
3900	Unrestricted net position	<u>2,315,544</u>
3000	Total net position	<u>2,315,544</u>
	Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,534,710</u>

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

Exhibit D-2

	Governmental Activities Internal Service Funds (See H-4)
Operating Revenues:	
Charges for services	\$ <u>987,749</u>
Total operating revenues	<u>987,749</u>
Operating Expenses:	
Insurance claims and expenses	<u>1,067,288</u>
Total operating expenses	<u>1,067,288</u>
Operating loss	(<u>79,539</u>)
Nonoperating Revenues:	
Investment earnings	<u>47,951</u>
Total nonoperating revenues	<u>47,951</u>
Changes in net position	(31,588)
Net position - beginning	<u>2,347,132</u>
Net position - ending	\$ <u><u>2,315,544</u></u>

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

Exhibit D-3

	Governmental Activities Internal Service Funds (See H-5)
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 987,663
Payments to suppliers	(4,914)
Claims paid	<u>(1,029,420)</u>
Net cash used by operating activities	<u>(46,671)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Net cash provided (used) by noncapital financing activities	<u>-0-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Net cash provided (used) by capital and related financing activities	<u>-0-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(4,673,630)
Sale of investments	4,569,000
Investment earnings	<u>43,263</u>
Net cash used by investing activities	<u>(61,367)</u>
Net decrease in cash and cash equivalents	(108,038)
Balances - beginning of year	<u>295,711</u>
Balances - end of year	<u><u>\$ 187,673</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	\$(79,539)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Other receivables	(86)
Accrued liabilities	<u>32,954</u>
Net cash used by operating activities	<u><u>\$(46,671)</u></u>
NONCASH INVESTING ACTIVITIES:	
Increase in fair value of investments	<u><u>\$ 4,689</u></u>

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2020

Exhibit E-1

	Private- Purpose Trusts	Agency Funds
	<u> </u>	<u> </u>
Assets and Deferred Outflows of Resources:		
Assets:		
Cash and cash equivalents	\$ 16,388	\$ 383,227
Prepaid expenses		<u>3,139</u>
Total assets	<u>16,388</u>	<u>\$ 386,366</u>
Deferred Outflows of Resources:		
Deferred outflows of resources	<u> </u>	
Total deferred outflows of resources	<u>-0-</u>	
Total assets and deferred outflows of resources	<u>\$ 16,388</u>	
Liabilities, Deferred Inflows of Resources and Net Position:		
Liabilities:		
Accounts payable	\$	\$ 64,539
Amounts due to student and employee groups		<u>321,827</u>
Total liabilities	<u>-0-</u>	<u>\$ 386,366</u>
Deferred Inflows of Resources:		
Deferred inflows of resources	<u> </u>	
Total deferred inflows of resources	<u>-0-</u>	
Net Position:		
Held in trust for other purposes	<u>16,388</u>	
Total net position	<u>16,388</u>	
Total liabilities, deferred inflows of resources, and net position	<u>\$ 16,388</u>	

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

Exhibit E-2

	<u>Private- Purpose Trusts</u>
ADDITIONS	
Investment earnings:	
Interest	\$ <u>125</u>
Total additions	<u>125</u>
DEDUCTIONS	
Total deductions	<u>-0-</u>
Changes in net position	125
NET POSITION	
Net position - beginning	<u>16,263</u>
Net position - ending	<u>\$ <u>16,388</u></u>

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

THIS PAGE LEFT BLANK INTENTIONALLY.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

Note	Page
1. Summary of Significant Accounting Policies	46
2. Deposits, Investments and Derivatives	57
3. Receivables, Uncollectible Accounts, Deferred Outflows and Inflows of Resources, and Unearned Revenues	63
4. Interfund Receivables, Payables and Transfers.....	65
5. Capital Assets.....	66
6. Long-Term Debt	68
7. Defined Benefit Pension Plan.....	71
8. Defined Other Post-Employment Benefit Plans.....	77
9. General Fund Federal Source Revenues.....	83
10. Local and Intermediate Revenues.....	83
11. Risk Management	84
12. Self-Insurance	84
13. Unemployment Compensation Pool.....	86
14. Litigation and Contingencies	86
15. Joint Ventured-Shared Service Arrangements.....	86
16. Tax Abatements	87
17. Subsequent Event.....	89

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Brazosport 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 that are 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). Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

Reporting Entity

The Board of the District is elected by the public; has the authority to make decisions, appoint administrators and managers; significantly influence operations; and has the primary accountability for fiscal matters. Therefore, the District is not included in any other governmental “reporting entity” as defined by GASB in its Statement No. 61, “*The Financial Reporting Entity: Omnibus – and amendment of GASB Statement No. 14 and No. 34*”. A blended component unit, although a legally separate entity is, in substance, part of the District’s operations.

- Blended Component Unit: The Brazosport Independent School District Educational Foundation (the “Foundation”) was established under Internal Revenue Service regulations as a conduit for tax-deductible donations to the District. The Superintendent serves as a Board Member. The Foundation is a supporting organization of the District and is presented as a special revenue fund of the District.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report financial information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The *governmental activities* are supported by tax revenues and intergovernmental revenues. The District has no *business-type activities* that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State of Texas are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Revenue from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

The proprietary fund types and the fiduciary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognized 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. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The net position is segregated into restricted net position and unrestricted net position. The agency funds record only assets and liabilities and use the accrual basis of accounting to recognize receivables and payables. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and the unrestricted resources as needed.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation (Continued)

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Major revenue sources include local property taxes, state funding under the Foundation School Program and interest earnings. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal and state government, food service, debt service, and capital projects.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the general fund after all of the related debt obligations have been met. Major revenue sources include local property taxes, and interest earnings. Expenditures include all costs associated with related debt service.

The *capital projects fund* accounts for the resources accumulated and made for Board authorized acquisition, construction, or renovation, as well as, furnishing and equipping of major capital facilities. The major revenue source includes investment earnings and other resources from proceeds from sale of general obligation bonded debt.

The District reports the following proprietary funds:

The *internal service funds* account for the District's self-funded dental insurance plan provided for the benefit of eligible employees and its self-funded worker's compensation program. The revenues of these funds are received from both the general and special revenue funds, and District employees and the expenses are comprised of claims paid on behalf of the District and its employees. The general fund is contingently liable for liabilities of these funds. Sub-fund accounting is employed to maintain the integrity of the self-insurance activities of the District. See Note 12 for additional discussion of the District's self-funded insurance plans.

The dental insurance plan is intended to be self-supporting and contributions for premiums are increased periodically to cover the cost of claims, insurance premiums and administrative fees. As of August 31, 2020, liabilities totaled \$ 41,258 and net position of the dental insurance plan was \$ 272,386.

The worker's compensation program provides for incurred but not reported costs for worker's compensation claims through the establishment of undiscounted liability accounts and net position. As of August 31, 2020, undiscounted liabilities totaled \$ 177,908 and net position of the worker's compensation program was \$ 2,043,158.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Additionally, the District reports the following fiduciary funds:

The *private-purpose trust funds* are used to account for donations for endowments received from individuals and/or organizations for specified donor purposes for which the principal and earned interest or revenue may be used.

The *agency fund* accounts for resources held in a custodial capacity by the District, and consists of funds that are the property of students or others.

Cash and Investments

The District considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Current investments have an original maturity greater than three months but less than one year at the time of purchase. Non-current investments have an original maturity of greater than one year at the time of purchase.

Interfund Receivables, Payables and Transfers

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All outstanding balances between funds are reported as "due to/from other funds". The District had no advances between funds. See Note 4 for additional discussion of interfund receivables, payables and transfers.

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business property located in the district in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes (Continued)

The appraisal and recording of all property within the District is the responsibility of the Brazoria County Appraisal District (BCAD), an independent governmental unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. BCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years.

Under certain circumstances taxpayers and taxing units, including the District, may challenge orders of the BCAD Review Board through various appeals and, if necessary, legal action.

The assessed value (adjusted) of the property tax roll on August 1, 2019, upon which the levy for the 2019-20 fiscal year was based, was \$ 13,160,599,931. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to penalty and interest charges plus 20% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2020, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 0.9700 and \$ 0.2153 per \$ 100 valuation, respectively, for a total of \$ 1.1853 per \$ 100 valuation.

Current tax collections for the year ended August 31, 2020 were 99.59% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting 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. As of August 31, 2020, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 694,417 and \$ 150,319 for the general and debt service funds, respectively.

Inventories

The consumption method is used to account for inventories (food products, school supplies and athletic equipment) of governmental funds. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. Governmental fund inventories are offset by a fund balance reserve indicating that they are unavailable as current expendable financial resources. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their market value is recorded as inventory and deferred revenue when received in the governmental funds. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation

Capital assets, which include land and land improvements, buildings and improvements, and furniture, equipment and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government to be \$ 5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 - 50
Furniture, equipment and vehicles	5 - 15

Deferred Outflows and Inflows of Resources

Guidance for deferred outflows of resources and deferred inflows of resources is provided by GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Further, GASB No. 65, "Items Previously Reported as Assets and Liabilities", had an objective to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

Compensated Absences

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying financial statements.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts are unearned and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditures or expenses in the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt is reported as other financing resources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Teacher Retirement System of Texas (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.

Budgetary Data

Formal budgetary accounting is employed for all required governmental funds, as outlined in TEA's FASRG, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required governmental funds prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Data (Continued)

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, debt service fund and the national school breakfast and lunch program. The remaining special revenue funds and the capital projects fund (if utilized) adopt project-length budgets, which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. The budget was properly amended throughout the year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board.

The Official Budget was prepared for adoption for the general fund, national school breakfast and lunch program and debt service fund prior to August 31, 2019. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within fund groups at the function code level and revenue object code level.

The Budget is formally adopted by the Board of Trustees at a duly advertised public meeting in accordance with law prior to the expenditure of funds. The approved budget is filed with the Texas Education Agency (TEA) through the Public Education Information Management System. Should any change in the approved budget be required, budget amendment requests are presented to the Board of Trustees for consideration. Amendments are made before the fact and once approved are reflected in the official minutes. During the year the budget was properly amended in accordance with the above procedures.

Encumbrance Accounting

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget.

As of August 31, 2020, the District has encumbrances outstanding in the general fund of \$ 16,470.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity

The District's Board of Trustees meets on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The District's Unassigned General Fund Balance is maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned General Fund Balance may only be appropriated by resolution of the Board of Trustees. Fund Balance of the District may be committed for a specific source by formal action of the District's Board of Trustees. Amendments or modifications of the committed fund balance must also be approved by formal action by the District's Board of Trustees. When it is appropriate for fund balance to be assigned, the Board of Trustees has delegated authority to the Superintendent and the Chief Financial and Governmental Affairs Officer. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The District implemented GASB 54, "Fund Balance, Reporting and Governmental Fund Type Definitions", for its governmental funds. Under GASB 54, fund balances are required to be reported according to the following classifications:

Nonspendable Fund Balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted Fund Balance - Constraints placed on the use of these resources are either externally imposed by creditors, grantors, contributors or other governments; or are imposed by law.

Committed Fund Balance - Amounts that can only be used for specific purposes because of a Board of Trustees Resolution by the government's highest level of decision-making authority.

Assigned Fund Balance - Amounts that are constrained by the District's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body by the Chief Financial and Governmental Affairs Officer. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned Fund Balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amount had been restricted, committed or assigned.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity (Continued)

As of August 31, 2020, nonspendable fund balances include \$ 340,465 for inventories and \$ 1,412,544 for prepaid items in the general fund, \$ 82,027 for inventories in the national school breakfast and lunch program, and \$ 483,000 for prepaid items in the capital projects fund. Restricted fund balances include \$ 14,793,993 for the debt service fund, \$ 144,685,026 for the capital projects fund, \$ 133,420 for the national school breakfast and lunch program, and \$ 2,235,905 for Campus Activity Funds, BISD Education Foundation, PPCD Program, City of Lake Jackson PEG and Dow Education Grants (special revenue funds). Committed fund balances include \$ 250,000 for claims and judgments and \$ 5,550,000 for capital expenditures for equipment in general fund. Assigned fund balances include \$ 10,000,000 for other purposes in the general fund. Unassigned fund balance includes \$ 53,871,179 in the general fund.

Data Control Codes

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

Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reporting amounts of assets and deferred outflows of resources, and, liabilities and deferred inflows of resources at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

New Pronouncements

GASB issues statements on a routine basis with the intent to provide authoritative guidance on the preparation of financial statements and to improve governmental accounting and financial reporting of governmental entities. Management reviews these statements to ensure that preparation of its financial statements are in conformity with generally accepted accounting principles and to anticipate changes in those requirements. The following recent GASB Statements reflect the action and consideration of management regarding these requirements:

GASB No. 83 "Certain Asset Retirement Obligations" was issued in November 2016. The statement was implemented and did not have a material effect on the financial statements of the District. The requirements of this Statement are effective for periods beginning after June 15, 2019.

GASB No. 84 "Fiduciary Activities" was issued in January 2017. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this Statement are effective for periods beginning after December 15, 2019.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements (Continued)

GASB No. 87 “Leases” was issued in June 2017. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this Statement are effective for periods beginning after June 15, 2021.

GASB No. 88 “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements” was issued in April 2018. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

GASB No. 89 “Accounting for Interest Cost Incurred before the End of a Construction Period” was issued in June 2018. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

GASB No. 90 “Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61” was issued in August 2018. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB No. 91 “Conduit Debt Obligations” was issued in May 2019. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

GASB No. 92 “Omnibus 2020” was issued in January 2020. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

GASB No. 93 “Replacement of Interbank Offered Rates” was issued in March 2020. The management of the District does not expect the implementation of this standard to have a material effect on the financial statement of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB No. 94 “Public-Private and Public-Public Partnerships and Availability Payment Arrangements” was issued in March 2020. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB No. 95 “Postponement of the Effective Dates of Certain Authoritative Guidance” was issued in May 2020. The statement was implemented and did not have a material effect on the financial statements of the District. The requirements of this statement are effective immediately.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2020***NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****New Pronouncements (Continued)**

GASB No. 96 "Subscription-Based Information Technology Arrangements" was issued in May 2020. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB No. 97 "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" was issued in June 2020. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES

The District classifies deposits and investments for financial statement purposes as cash and cash equivalents, current investments, and non-current investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose an investment is considered a cash equivalent if when purchased it has maturity of three months or less. Investments are classified as either current investments or non-current investments. Current investments have maturity of one year or less and non-current investments are those that have a maturity of one year or more. See Note 1 for additional Governmental Accounting Standards Board Statement No. 31 disclosures.

Cash and cash equivalents are reported on the statement of net position at August 31, 2020 are as follows:

	<u>Governmental Funds</u>	<u>Proprietary (Internal Service) Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents:				
Cash (petty cash accounts) \$	9,061	\$	\$ 1,000	\$ 10,061
Financial Institution Deposits:				
Demand deposits	5,633,691	184,259	386,896	6,204,846
Broker-Dealer:				
Demand deposits	422,054	3,414		425,468
Repurchase agreement	7,489,471			7,489,471
Public Funds Investment Pool:				
Lone Star	153,400,181		11,719	153,411,900
Texas Term	27,912,943			27,912,943
Texas Fixed Income Trust	<u>50,226,047</u>			<u>50,226,047</u>
	<u>\$ 245,093,448</u>	<u>\$ 187,673</u>	<u>\$ 399,615</u>	<u>\$ 245,680,736</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to them. The District requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

Under Texas state law, a bank serving as the school depository must have a bond or in lieu thereof, deposited or pledged securities with the District or an independent third party agent, an amount equal to the highest daily balance of all deposits the District may have during the term of the depository contract, less any applicable FDIC insurance.

At August 31, 2020, in addition to petty cash of \$ 10,061, the carrying amount of the District's cash, savings, and time deposits was \$ 6,630,314. The financial institutions balances were \$ 8,951,471 at August 31, 2020. Financial institution balances of \$ 377,000 were covered by federal depository insurance, \$ 8,574,471 were covered by collateral pledged in the District's name.

In addition the following is disclosed regarding coverage of combined balances on the date of highest deposit:

Depository:

- a. Name of bank: Texas Gulf Bank, Freeport, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 51,170,366.
- c. Largest cash, savings and time deposit combined account balance amounted to \$ 51,420,366 and occurred on February 13, 2020.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$ 250,000.

Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the District to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

The District's deposits and investments are invested pursuant to the investment policy, which is approved by the Board of Trustees. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it includes an "Investment Strategy Statement" that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the District will deposit funds is addressed. The District's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The District's management believes it complied with the requirements of the PFIA and the District's investment policy.

The District's Investment Officer submits an investment report each quarter to the Board of Trustees. The report details the investment positions of the District and the compliance of the investment portfolio's as they relate to both the adopted investment strategy statements and Texas State law.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of the U.S. or its agencies and instrumentalities;
2. Obligations of the State of Texas or its agencies;
3. Other obligations guaranteed by the U.S. or the State of Texas or their agencies and instrumentalities;
4. Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent;
5. Guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas;
6. Fully collateralized repurchase agreements; and,
7. Public funds investment pool meeting the requirements of Government Code 2256.016-2256.019.

The District participates in one investment services repurchase agreement of U.S. Government securities agreement with the Bank of New York Mellon for the purpose of investing funds to pay future matured bonds. This agreement governs the sale and purchase of U.S. Government-backed securities by and between the District and the depository on scheduled dates.

This agreement is not considered deposits and is not insured by federal deposit insurance or any other insurance. This investment has a custodial risk as uninsured and unregistered, with securities held by the financial institution's trust department or agent in the District's name.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

The District entered into this agreement for the purpose of repaying bonds. This agreement shall not be terminable upon demand. The District will participate in this agreement until completion of terms with interest rates guaranteed to provide sufficient funds to repay the 2005 QZAB bond. The District will repay this bond with these investments.

The District participates in Local Government Investment Pools (LGIP): Lone Star Investment Pool, Texas Term, and Texas Fixed Income Trust. The Lone Star Investment Pool (the "Pool") was established on July 25, 1991, as a public funds investment pool in accordance with the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. Lone Star is a 2(a)7 like fund, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. Standard and Poor's has assigned its "AAAm" fund risk ratings to the Pool's Government Overnight Fund, Corporate Overnight Fund and Corporate Overnight Plus Fund.

Texas Term is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. Texas Term is a 2(a)7 like fund, meaning that it is structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. Texas Term are rated AAAM from Standard and Poors and AAAf from Fitch, respectively, and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit.

Texas Fixed Income Trust is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. Texas Fixed Income Trust is a 2(a)7 like fund, meaning that it is structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. Texas Fixed Income Trust are rated AAAMmf from Fitch, and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit.

At August 31, 2020, the Government Overnight Fund had a weighted average maturity of 24 days, the Corporate Overnight Fund had a weighted average maturity of 54 days, the Corporate Overnight Plus Fund had a weighted average maturity of 65 days, Texas Term had a weighted average maturity of 48 days, and Texas Fixed Income Trust had a weighted average maturity of 104 days. Although these five funds had weighted average maturities of 25, 54, 65, 48 and 104 days, respectively, the District considers holdings of these funds to have a one day weighted average maturity. This is due to the fact that the share position can normally be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

The District's investment in LGIP are insured, registered, or the District's agent holds the securities in the District's name; therefore, the District is not exposed to custodial credit risk.

The following table includes the portfolio balances of all investment types of the District at August 31, 2020:

	<u>Fair Value</u>	<u>Weighted Average Maturity (In Days)</u>
Local Government Investment Pool:		
Lone Star Investment Pool:		
Government Overnight Fund	\$ 10,110,298	24
Corporate Overnight Fund	4,136,468	54
Corporate Overnight Plus Fund	139,165,134	65
Texas Term	27,912,943	48
Texas Fixed Income Trust	<u>50,226,047</u>	104
Total local government investment pool	231,550,890	69
Certificates of deposit	<u>4,693,571</u>	133
	4,693,571	70
Repurchase agreement	<u>7,489,471</u>	
Total investments	<u>\$ 243,733,932</u>	

Credit Risk - As of August 31, 2020, 95% of the investment portfolio was invested in AAAM rated funds in the LGIP (2(a)7 like pools), 2% are invested in certificates of deposits that are fully insured by the FDIC and 3% are invested in a Repurchase Agreement is invested in direct obligations of the United States of America backed by the full faith and credit of the United States of America.

Interest rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lesser of a dollar weighted average maturity of 365 days or the anticipated cash flow requirements of the funds. Quality short-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets the District's cash flow requirements.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Fair Value Measures

Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District held no investments valued at fair market value as of August 31, 2020.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

NOTE 3. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES, AND UNEARNED REVENUES

Receivables and Allowances

Receivables as of August 31, 2020, for the government's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivables:				
Property taxes	\$ 1,323,515	\$ 273,159	\$	\$ 1,596,674
Receivables from other governments	284,390		3,808,265	4,092,655
Other receivables	<u>31,319</u>		<u>30,490</u>	<u>61,809</u>
Gross receivables	1,639,224	273,159	3,838,755	5,751,138
Less: allowance for Uncollectibles	<u>629,098</u>	<u>122,840</u>		<u>751,938</u>
Net receivables	<u>\$ 1,010,126</u>	<u>\$ 150,319</u>	<u>\$ 3,838,755</u>	<u>\$ 4,999,200</u>

Receivables/Payables from/to 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. All federal grants shown below are passed through the TEA or other state agency and are reported on the combined financial statements as either Receivable from or to Other Governments, as applicable.

Amounts due from federal, state, and local governments as of August 31, 2020 are summarized below.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>State Grants and Other</u>	<u>Total</u>
Major Governmental Funds:				
General fund	\$ 63,444	\$ 201,037	\$ 19,909	\$ 284,390
Other funds	<u>608,071</u>	<u>3,151,610</u>	<u>48,584</u>	<u>3,808,265</u>
Total	<u>\$ 671,515</u>	<u>\$ 3,352,647</u>	<u>\$ 68,493</u>	<u>\$ 4,092,655</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 3. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES, AND UNEARNED REVENUES (Continued)

Receivables/Payables from/to Other Governments (Continued)

For the year ended August 31, 2020, the District was determined to be subject to Chapter 41 under the Texas Education Code (TEC). During the year ended August 31, 2020, the District was required to pay \$ 33,777,521 to the state and at August 31, 2020, the District had paid the state \$ 31,219,482. The underpayment amount of \$ 2,558,039 is recorded as a payable to other governments. The amount incurred as Chapter 41 costs of \$ 30,304,764 (after settle-ups) is reported as expenditures under Function 91 - Contracted Instructional Services Between Public Schools. The District will continue to be classified as a Chapter 41 District for the 2020-2021 year.

Deferred Outflows and Inflows of Resources and Unearned Revenues

Governmental Funds

Governmental funds defer the recognition of revenue in connection with receivables that are considered to be unavailable to liquidate liabilities of the current period and report these amounts as deferred inflows of resources. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of August 31, 2020, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	Deferred Inflows of Resources <u>(Unavailable)</u>	Unearned Revenue <u>Revenue</u>
Delinquent property taxes receivable (general fund)	\$ 589,175	\$
Delinquent property taxes receivable (debt service fund)	127,684	
Federal food commodities		72,109
State entitlements		8,384
State grants	<u> </u>	<u>66,512</u>
Totals:	<u>\$ 716,859</u>	<u>\$ 147,005</u>

Governmental Activities

Governmental activities defer the recognition of pension and OPEB expense for contributions made subsequent to the measurement date to the current year-end of August 31, 2020 and report these as deferred outflows of resources. Governmental activities also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a deferred inflow of resources. Further, for governmental activities, like governmental funds, defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 3. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES, AND UNEARNED REVENUES (Continued)

Deferred Outflows and Inflows of Resources and Unearned Revenues (Continued)

Governmental Activities (Continued)

As of August 31, 2020, the various components of deferred inflows and outflows of resources and unearned revenue reported in the governmental activities were as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
TRS pension deferred inflows and outflows of resources	\$ 21,871,898	\$ 7,739,296	\$
Pension contributions subsequent to the measurement date	3,428,056		
TRS OPEB deferred inflows and outflows of resources	8,549,811	23,494,809	
OPEB contributions subsequent to the measurement date	841,000		
Bond refunding costs	58,176		
Federal food commodities			72,109
State entitlements			8,384
State grants			<u>66,512</u>
Totals	<u>\$34,748,941</u>	<u>\$31,234,105</u>	<u>\$ 147,005</u>

NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Receivables and Payables

Interfund balances at August 31, 2020 consisted of the following individual fund receivables and payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>8-31-20</u>
General Fund	Other Governmental Funds	\$ 5,047,853
Debt Service Fund	General Fund	403,720
Capital Projects Fund	General Fund	47,401
Other Governmental Funds	General Fund	154,328
Other Governmental Funds	Other Governmental Funds	<u>87,157</u>
		<u>\$ 5,740,459</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Interfund Transfers

Interfund transfers for the year ended August 31, 2020 were as follows:

<u>Transferring Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 59,759
General Fund	Other Governmental Funds	250,000
Other Governmental Funds	Other Governmental Funds	5,000
Other Governmental Funds	Other Governmental Funds	<u>127,388</u>
		<u>\$ 442,147</u>

The transfer from the BISD Education Foundation to the General Fund provided a general purpose donation to the District to seek alternative funds to enhance the educational opportunities. The transfer from General Fund to Child Nutrition was made to cover the negative student balances, police department meals, and the negative operating balance as a result of the COVID-19 pandemic. The transfer from the BISD Education Foundation to Child Nutrition represented a donation from an individual donor to cover negative student balances. The transfer from the BISD Education Foundation to DOW Education Grants is for grants received from DOW for Project Lead the Way and STREAM.

NOTE 5. CAPITAL ASSETS

Changes in Capital Assets and Accumulated Depreciation

The following provides a summary of changes in capital assets and accumulated depreciation for the year ended August 31, 2020:

	<u>September 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers & Adjustments</u>	<u>August 31, 2020</u>
Non-Depreciated Capital Assets:					
Land	\$ 2,260,973	\$ 420,950	\$	\$	\$ 2,681,923
Construction in progress	<u>37,112,505</u>	<u>74,187,020</u>	<u></u>	<u>(22,552,829)</u>	<u>88,746,696</u>
Total non-depreciated	<u>39,373,478</u>	<u>74,607,970</u>	<u>-0-</u>	<u>(22,552,829)</u>	<u>91,428,619</u>
Depreciated Capital Assets:					
Buildings and improvements	279,821,661	766,925	6,965,127	22,552,829	296,176,288
Furniture, equipment and vehicles	<u>20,755,166</u>	<u>7,845,758</u>	<u>1,617,126</u>	<u></u>	<u>26,983,798</u>
Total depreciated	<u>300,576,827</u>	<u>8,612,683</u>	<u>8,582,253</u>	<u>22,552,829</u>	<u>323,160,086</u>
Total additions/transfers and retirements		<u>\$ 83,220,653</u>	<u>\$ 8,582,253</u>	<u>\$ -0-</u>	
Accumulated Depreciation:					
Buildings and improvements	90,525,423	\$ 10,329,877	\$ 6,965,127	\$	\$ 93,890,173
Furniture, equipment and vehicles	<u>13,978,372</u>	<u>2,003,677</u>	<u>1,617,126</u>	<u></u>	<u>14,364,923</u>
Total accumulated depreciation	<u>104,503,795</u>	<u>\$ 12,333,554</u>	<u>\$ 8,582,253</u>	<u>\$ -0-</u>	<u>108,255,096</u>
Net depreciated assets	<u>196,073,032</u>				<u>214,904,990</u>
Net capital assets	<u>\$ 235,446,510</u>				<u>\$ 306,333,609</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 5. CAPITAL ASSETS (Continued)

See Note 1 for additional information regarding capital assets.

Depreciation Expense

In accordance with requirements of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, depreciation expense of the governmental activities was charged to functions as follows:

<u>Data Control Codes</u>	<u>Function</u>	<u>Amount</u>
0011	Instruction	\$ 6,390,014
0012	Instructional resources and media services	579,677
0013	Curriculum and instructional staff development	29,601
0021	Instructional leadership	77,701
0023	School leadership	483,475
0031	Guidance, counseling, and evaluation services	92,502
0033	Health services	48,101
0034	Student transportation	1,397,392
0035	Food service	851,015
0036	Extracurricular activities	1,620,629
0041	General administration	70,301
0051	Facilities maintenance and operations	663,545
0053	Data processing services	<u>29,601</u>
	Total depreciation expense	<u>\$ 12,333,554</u>

Governmental Fund Construction Commitments

At August 31, 2020, the District had the following construction commitments:

<u>Project</u>	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Commitment</u>
New Campus: Roberts Elementary	\$ 19,819,578	\$ 18,641,600	\$ 1,177,978
New Campus: Brannen Elementary	21,018,251	19,665,609	1,352,642
New Campus: Brazoswood High School	102,140,970	22,154,220	79,986,750
New Campus: Brazoswood CTE Center	<u>25,368,637</u>	<u>10,862,490</u>	<u>14,506,147</u>
	<u>\$ 168,347,436</u>	<u>\$ 71,323,919</u>	<u>\$ 97,023,517</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2020***NOTE 6. LONG-TERM DEBT****Loans**

Short-term debts are accounted for through the appropriate fund, and consist of notes made in accordance with the provisions of the Texas Education Code. The District did not borrow any funds through loan transactions during the year ended August 31, 2020.

General Obligation Bonds

Long-term debt includes par bonds, capital appreciation (deep discount) serial bonds, contractual obligations and loans. Contractual obligations are issued at parity with general obligation bonds, but carry a secondary revenue stream pledge; however, all certificates of obligation are tax, not revenue, supported. This debt, unlike other tax-supported debt, can be issued without a vote of the citizens. Bond premiums and discounts are amortized using the effective interest method.

The following is a summary of the District's general obligation bonded debt as of August 31, 2020:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>% Rates</u>	<u>Outstanding Balance</u>
2005	\$ 8,000,000	2021	0.00	\$ 8,000,000
2011	7,365,000	2023	2.00-4.00	6,215,000
2011	2,036,256	2021	3.00	2,684,043
2012	30,385,000	2023	2.00-4.00	11,915,000
2012	56,870,000	2025	2.00-3.00	23,685,000
2013	9,415,000	2023	3.00	1,360,000
2015	54,785,000	2035	2.00-5.00	36,135,000
2016	6,180,000	2022	2.00-4.00	865,000
2017	34,465,000	2042	3.00-5.00	32,925,000
2017	45,915,000	2037	3.00-5.00	42,245,000
2018	42,320,000	2034	3.00-5.00	35,755,000
2019	<u>138,750,000</u>	2042	2.13-5.00	<u>138,000,000</u>
Total	\$ <u>436,486,256</u>			\$ <u>339,784,043</u>

Presented below is a summary of general obligation bond requirements to maturity:

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2021	\$ 28,905,000	\$ 12,408,644	\$ 41,313,644
2022	21,300,000	11,585,944	32,885,944
2023	20,365,000	10,727,000	31,092,000
2024	20,700,000	9,875,206	30,575,206
2025	18,745,000	9,018,722	27,763,722
2026-2030	87,645,000	32,257,325	119,902,325
2031-2035	75,835,000	15,899,675	91,734,675
2036-2040	47,780,000	6,352,150	54,132,150
2041-2042	<u>18,550,000</u>	<u>581,862</u>	<u>19,131,862</u>
Totals	\$ <u>339,825,000</u>	\$ <u>108,706,528</u>	\$ <u>448,531,528</u>

Difference in bond payable and future principal payments is due to \$ 40,957 of accretion, which will occur in future years prior to payment.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 6. LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

The District entered into one repurchase agreement for the 2005 Unlimited Tax School Building QZAB Bonds. The 2005 Unlimited Tax School Building QZAB Bonds repurchase agreement calls for annual payments of \$ 401,939 and will yield an interest rate of 2.83% with maturity date of June 30, 2021. The total requirement deposited for the year ended August 31, 2020 was \$ 401,939. The sinking fund balance as of August 31, 2020 was \$ 7,598,061.

Presented below is a summary of the sinking fund requirements:

<u>Year Ended</u> <u>August 31</u>	<u>Series</u> <u>2005</u>
2021	\$ <u>401,939</u>
Total minimum requirements	\$ <u><u>401,939</u></u>

Bond indebtedness of the District is recorded in the governmental activities statement of net position, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Proceeds of long-term issues are reflected as "Other Resources" in the operating statement of the recipient fund.

The District has entered into continuing disclosure undertaking to provide annual reports and material event notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of Brazosport Independent School District.

There are limitations and restrictions contained in the general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2020.

Maintenance Tax Note

On November 30, 2010 the District issued \$ 9,330,000 of Taxable Series 2010Q Maintenance Tax Qualified School Construction Notes, maturing in 2029. The notes have stated interest rates ranging from 3.75% to 5.20%. The bonds are to be paid from annual ad valorem maintenance taxes levied. The District has irrevocably designated the Series 2010Q Notes as "specified tax credit notes" within the meaning of Section 6431(F)(3)(b) of the Internal Revenue Code. Therefore, the District will be eligible to receive a cash subsidy from the United States Treasury in connection with the election. The Federal subsidy received by the District will not be pledged to payment of the Series 2010Q Notes and may be used for any lawful purpose of the District, including but not limited to, payment of debt service on the Series 2010Q Notes.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

NOTE 6. LONG-TERM DEBT (Continued)

Maintenance Tax Note - Continued

The following is a summary of the District's maintenance tax school construction note debt as of August 31, 2020:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>% Rates</u>	<u>Outstanding Balance</u>
2010	\$ <u>9,330,000</u>	2029	3.75-5.20	\$ <u>4,695,000</u>
Total	\$ <u>9,330,000</u>			\$ <u>4,695,000</u>

Presented below is a summary of maintenance tax note requirements to maturity:

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2021	\$	\$ 235,771	\$ 235,771
2022		235,771	235,771
2023		235,771	235,771
2024		235,771	235,771
2025	2,575,000	235,771	2,810,771
2026-2029	<u>2,120,000</u>	<u>440,960</u>	<u>2,560,960</u>
	\$ <u>4,695,000</u>	\$ <u>1,619,815</u>	\$ <u>6,314,815</u>

Current requirements for interest expenditures accounted for in the General Fund were \$ 409,584.

The 2010Q Maintenance Tax Qualified School Construction Notes call for annual payments of \$ 515,000 from August 15, 2012 through August 15, 2025 and \$ 530,000 from August 15, 2026 through August 15, 2029, and will yield \$ 9,330,000 for the payment of principal on the notes.

Presented below is a summary of sinking fund requirements and estimated Federal subsidy for the 2010Q Maintenance Tax Qualified School Construction Notes. Listed is the original subsidy follows by the adjusted and reduced subsidy as a result of the federal sequestration. Beginning March of 2013 the subsidy was reduced by 8.7% from the original subsidy and in October of 2014 from it was reduced by 7.2% the original subsidy amount.

<u>Year Ended August 31</u>	<u>Original Federal Subsidy</u>	<u>Reduced Federal Subsidy</u>	<u>Annual Sinking Fund Requirement</u>
2021	\$ 235,771	\$ 198,284	\$ 515,000
2022	235,771	198,284	515,000
2023	235,771	198,284	515,000
2024	235,771	198,284	515,000
2025	235,771	198,284	515,000
2026-2029	<u>440,960</u>	<u>370,847</u>	<u>2,120,000</u>
Totals	\$ <u>1,619,815</u>	\$ <u>1,362,267</u>	\$ <u>4,695,000</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2020***NOTE 6. LONG-TERM DEBT (Continued)****Changes in Long-Term Liabilities**

Long-term liability activity for the governmental activities for the year ended August 31, 2020, was as follows:

	<u>Balance</u> <u>09-01-19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>08-31-20</u>	<u>Due Within</u> <u>One Year</u>
Long-Term Debt:					
General obligation bonds	\$ 224,644,037	\$ 138,830,006	\$ 23,690,000	\$ 339,784,043	\$ 28,905,000
Tax Notes	9,330,000		4,635,000	4,695,000	-0-
Net pension liability	46,141,942	5,056,950	3,701,926	47,496,966	-0-
Net OPEB liability	55,420,468	3,995,393	5,107,027	54,308,834	-0-
Premium on bonds	<u>14,795,915</u>	<u>20,280,500</u>	<u>2,207,809</u>	<u>32,868,606</u>	<u>2,268,165</u>
Totals	<u>\$ 350,332,362</u>	<u>\$ 168,162,849</u>	<u>\$ 39,341,762</u>	<u>\$ 479,153,449</u>	<u>\$ 31,173,165</u>

NOTE 7. DEFINED BENEFIT PENSION PLANS**Plan Description**

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

All employees of public, state-supposed education institutions in Texas who are employed for one-half or more of the standard work load 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.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 7. DEFINED BENEFIT PENSION PLANS (Continued)

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.

Contribution Rates

	<u>2019</u>	<u>2020</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer # 1398 - 2020 Employer Contributions	\$	3,428,056
Employer # 1398 - 2020 Member Contributions	\$	7,458,586
Employer # 1398 - 2020 NECE On-behalf Contributions	\$	5,141,613
Employer # 1398 - 2020 Medicare Part D Contributions	\$	412,516

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 7. DEFINED BENEFIT PENSION PLANS (Continued)

Contributions - Continued

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

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

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 7. DEFINED BENEFIT PENSION PLANS (Continued)

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 Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2019	2.63%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Benefit changes during the year	None
Ad-hoc post-employment benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability 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 percent 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 percent. The projection of cash flows used to determine this 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 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent 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 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:

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 7. DEFINED BENEFIT PENSION PLANS (Continued)

Asset Class	FY 2019 Target Allocation*	New Target Allocation**	Long-Term Expected Geometric Real Rate of Return***
Global Equity:			
USA	18%	18%	6.4%
Non-U.S. Developed	13%	13%	6.3%
Emerging Markets	9%	9%	7.3%
Directional Hedge Funds	4%	-	-
Private Equity	13%	14%	8.4%
Stable Value:			
U.S. Treasuries****	11%	16%	3.1%
Stable Value Hedge Funds	4%	5%	4.5%
Absolute Return	-	-	-
Real Return:			
Global Inflation Linked Bonds****	3%	-	-
Real Estate	14%	15%	8.5%
Energy, Natural Resources and Infrastructure	5%	6%	7.3%
Commodities	-	-	-
Risk Parity:			
Risk Parity*****	5%	8%	5.8%/6.5%
Leverage:			
Cash	1%	2%	2.5%
Asset Allocation Leverage	-	-6%	2.7%
Expected Return	100%	100%	7.2%

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

** New target allocation based on 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	\$ 73,009,736	\$ 47,496,966	\$ 26,826,697

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 7. DEFINED BENEFIT PENSION PLANS (Continued)

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

At August 31, 2020, the District reported a liability of \$ 47,496,966 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 47,496,966
State's proportionate share that is associated with the District	<u>31,968,620</u>
Total	<u>\$ 79,465,586</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 employer's proportion of the collective net pension liability was 0.0913699679% which was an increase of 0.007540194% from its proportion measured as of August 31, 2018.

Changes since the prior Actuarial Valuation

- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent 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 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.

For the year ended August 31, 2020, the District recognized pension expense of \$ 5,056,950 and revenue of \$ 5,141,613 for support provided by the State.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2020***NOTE 7. DEFINED BENEFIT PENSION PLANS (Continued)**

At August 31, 2020, the District reported its proportionate share of TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 199,530	\$ 1,649,170
Changes in actuarial assumptions	14,735,891	6,089,568
Net difference between projected and actual investment earnings	476,924	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	6,459,553	558
Contributions paid to TRS subsequent to the measurement date	<u>3,428,056</u>	<u> </u>
Total	<u>\$ 25,299,954</u>	<u>\$ 7,739,296</u>

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

<u>Year Ended August 31,</u>	<u>Pension Expense Amount</u>
2021	\$ 3,434,359
2022	2,893,899
2023	3,498,210
2024	3,228,111
2025	1,352,869
Thereafter	(274,846)

NOTE 8. 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 Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 8. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

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

	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

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 0.75 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.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 8. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Contribution Rates

	<u>2019</u>	<u>2020</u>
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%
Employer # 1398 - 2020 Employer Contributions		\$ 841,000
Employer # 1398 - 2020 Member Contributions		\$ 629,621
Employer # 1398 - 2020 NECE On-behalf Contributions		\$ 754,325

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 hiring a TRS retiree, employers are required to pay TRS Care, a monthly surcharge of \$ 535 per retiree.

TRS-Care received supplemental appropriations from the State 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 TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The Post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

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, rates of retirement, rates of termination, rates of disability incidence, general inflation, wage inflation and expected payroll growth.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 8. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

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%
Discount Rate*	2.63%*
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases**	3.05% to 9.05%**
Healthcare Trend Rates***	4.50% to 10.25%***
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Ad hoc post-employment benefit changes	None

* As of August 31, 2019

** Includes Inflation at 2.30%

*** Initial trend rates are 7.50% for non-Medicare retirees; 10.25% for Medicare retirees and 10.25% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 13 years.

Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06 percent 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%)	Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District’s proportionate share of the Net OPEB Liability	\$ <u>65,568,190</u>	\$ <u>54,308,834</u>	\$ <u>45,500,632</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 8. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

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

At August 31, 2020, the District reported a liability of \$ 54,308,834 for its proportionate share of 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 the District were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 54,308,834
State's proportionate share that is associated with the District	<u>30,988,075</u>
Total	<u>\$ 85,296,909</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 OPEB 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 0.1148391388%, compared to 0.1109942966% as of August 31, 2019.

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.

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Current Single Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
District's proportionate share of the Net OPEB Liability	<u>\$ 44,303,243</u>	<u>\$ 54,308,834</u>	<u>\$ 67,711,735</u>

Changes since the prior Actual 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 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.
- Change of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 8. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

For the year ended August 31, 2020, the District recognized OPEB expense of \$ 3,995,393 and revenue of \$ 754,325 for support provided by the State.

At August 31, 2020, the District reported its proportionate share of TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 2,664,310	\$ 8,887,065
Changes in actuarial assumptions	3,016,432	14,607,744
Net difference between projected and actual investment earnings	5,859	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,863,210	
Contributions paid to TRS subsequent to the measurement date	<u>841,000</u>	
Total	<u>\$ 9,390,811</u>	<u>\$ 23,494,809</u>

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

<u>Year Ended August 31,</u>	<u>OPEB Expense Amount</u>
2021	\$ (2,627,202)
2022	(2,627,202)
2023	(2,629,099)
2024	(2,630,183)
2025	(2,629,887)
Thereafter	(1,801,425)

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 9. GENERAL FUND FEDERAL SOURCE REVENUES

Following is a schedule of federal source revenue recorded in the General Fund.

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Total</u>
Direct Costs:		
School Health and Related Services (SHARS)	---	\$ 1,293,570
Build America Bonds	---	386,543
ROTC	12.000	71,134
Medicaid Administrative Claiming Program (MAC)	93.778	52,509
Indirect Costs:		
Title I Grants to Local Education Agencies	84.010A	87,682
Special Education - Grants to States	84.027A	102,582
Special Education - Preschool Grants	84.173A	3,131
Career and Technical Education - Basic Grants to States	84.048A	6,050
English Language Acquisition State Grants	84.365A	4,174
Improving Teacher Quality State Grants	84.367A	10,499
Student Support and Academic Enrichment Program	84.424A	5,485
ESSER Grants	84.425D	<u>69,914</u>
		<u>\$ 2,093,273</u>

The School Health and Related Services (SHARS) funds and Build America Bond subsidy are not considered federal financial assistance for inclusion in the Schedule of Federal Financial Awards.

NOTE 10. LOCAL AND INTERMEDIATE REVENUES

During the current year, local and intermediate revenues for governmental funds consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property taxes	\$125,552,845	\$ 34,566,810	\$	\$	\$160,119,655
Food sales				1,087,002	1,087,002
Investment income	1,439,701	393,582	2,627,273	14,920	4,475,476
Penalties, interest and other tax related income	428,080	156,808			584,888
Co-curricular income	130,646				130,646
Other tuition and fees from patrons	48,145				48,145
Enterprise activities	3,427			871,867	875,294
Grants and contributions	13,790			899,799	913,589
Other	<u>9,562,889</u>			<u>16,432</u>	<u>9,579,321</u>
Totals	<u>\$137,179,523</u>	<u>\$ 35,117,200</u>	<u>\$ 2,627,273</u>	<u>\$ 2,890,020</u>	<u>\$177,814,016</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 2020, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage.

NOTE 12. SELF-INSURANCE

Dental Plan

Beginning September 1, 2001, the District established its self-funding Dental (Health) Plan program. The accrued liability for the Dental Plan self-insurance program is projected to be \$ 41,258 as of August 31, 2020.

The dental plan is funded through the employee flex spending program. During the year ended August 31, 2020, the Plan received \$ 668,384 in employee contributions, of which \$ -0- were forfeitures.

The accrued liability for the Dental Plan self-insurance of \$ 41,258 includes estimated incurred but not reported claims. This liability reported in the fund at August 31, 2020, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount.

Changes in the dental plan claims liability amounts in fiscal 2018-2019 and 2019-2020 are presented below:

	<u>Beginning of Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2018-2019 Dental Plan	\$ 36,739	\$ 737,160	\$ 733,301	\$ 40,598
2019-2020 Dental Plan	\$ 40,598	\$ 734,754	\$ 734,094	\$ 41,258

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 12. SELF-INSURANCE (Continued)

Workers' Compensation

Beginning September 1, 2001, the District established its self-funding Workers' Compensation program. The District met its statutory worker's compensation obligations by participating as a self-funded member of the TASB Risk Management Fund. The accrued liability for the Workers' Compensation self-insurance program is projected to be \$ 177,908 as of August 31, 2020.

The District has maintained a self-insured retention of \$ 325,000 per occurrence during the year ended August 31, 2020. The District currently purchases specific excess coverage of \$ 325,000 per occurrence from Midwest Employers Casualty Company and \$ 1,000,000 in the aggregate. Claims administration is also provided by Texas Association of School Boards.

The accrued liability for Workers' Compensation self-insurance of \$ 177,908 includes estimated incurred but not reported claims. This liability reported in the fund at August 31, 2020, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount.

The following year-by-year exposure details the number of annual claims.

<u>Fiscal Year</u>	<u>Claims</u>
2011-12	77
2012-13	77
2013-14	85
2014-15	92
2015-16	93
2016-17	75
2017-18	72
2018-19	68
2019-20	75
9 Yr. Average	79

Changes in the workers' compensation claims liability amounts in fiscal 2018-2019 and 2019-2020 are presented below:

	<u>Beginning of Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2018-2019 Workers' Compensation	\$ 155,316	\$ 331,928	\$ 341,630	\$ 145,614
2019-2020 Workers' Compensation	\$ 145,614	\$ 332,534	\$ 300,240	\$ 177,908

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

NOTE 13. UNEMPLOYMENT COMPENSATION POOL

During the year ended August 31, 2020, Brazosport Independent School District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool members.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2019 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

NOTE 14. LITIGATION AND CONTINGENCIES

The District participates in numerous state and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2020 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 15. JOINT VENTURED-SHARED SERVICE ARRANGEMENTS

The District participates in a Shared Services Arrangement ("SSA") for teaching and services for the Juvenile Justice Alternative Education Program with seven other school districts. The District does not account for revenues or expenditures of this program and does not disclose them in these financial statements. Brazoria County is the fiscal agent manager and is responsible for all financial activities of the shared services arrangement. The District does not 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 Brazosport Independent School District. The District reimburses Brazoria County for expenditures attributable to their participation. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Presented below are the expenditures attributable to the District's participation.

Expenditures:

6200	Professional and Contracted Services	\$	13,300
------	--------------------------------------	----	--------

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

NOTE 15. JOINT VENTURED-SHARED SERVICE ARRANGEMENTS (Continued)

The District participates in a Shared Services Arrangement for the hearing impaired through the Brazoria-Fort Bend Cooperative with eleven other school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Fort Bend Independent School District, 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 Brazosport Independent School District. The fiscal manager is responsible for all financial activities of the shared services arrangement. The amount of state revenues and expenditures attributable to the District's participation is not available.

The District reimburses Fort Bend Independent School District for their share of expenditures incurred which exceed the state funded portion. Local revenues are utilized to cover these expenditures. The District included the following expenditures in these financial statements.

Expenditures:

6400	Other Operating Costs	\$	61,500
------	-----------------------	----	--------

NOTE 16. TAX ABATEMENTS

The District enters into appraised value limitations with local businesses under the Texas Economic Development Act (Tax Code Chapter 313). Under the Act, an appraised value limitation is an agreement in which a taxpayer agrees to build or install property and create jobs in exchange for a 10-year limitation on the taxable property value for the District's maintenance and operations tax (M&O) purposes. The minimum limitation value varies by District. The application for a limitation on the appraised value for M&O purposes is submitted directly to the District and requires an application fee that is established by the District. Tax credits are applicable only to applications determined to be complete prior to January 1, 2014. To qualify for a tax credit, a separate application must be submitted to the District after property taxes for the last complete year of the qualifying time period are paid. The credit is for M&O taxes paid in excess of the limitation amount in each complete year of the qualifying time period. The District's tax collector must credit the overage in equal parts over the last seven years of the agreement, but the credit in each year may not exceed 50 percent of the total taxes paid on the qualified property during that year. Any eligible amount not credited during the seven-year period are to be credited over the following three years, but the amount credited in each year may not exceed the total taxes paid on the qualified property in that year. The following are brief descriptions of each agreement followed by a summary of the agreements as of August 31, 2020:

The District entered in an agreement with Olin Chlorine 7, LLC on January 4, 2011. In addition to the tax abatement, Olin Chlorine 7, LLC has committed to the payment in lieu of taxes program. The agreement and all supporting documentation was assigned Texas Comptroller Application No. 172.

The District entered in an agreement with High Purity Water Oasis on May 1, 2012. In addition to the tax abatement, High Purity Water Oasis has committed to the payment in lieu of taxes program. The agreement and all supporting documentation was assigned Texas Comptroller Application No. 213.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

NOTE 16. TAX ABATEMENTS (Continued)

The District entered in an agreement with Dispersions Facility on November 5, 2012. In addition to the tax abatement, Dispersions Facility has committed to the payment in lieu of taxes program. The agreement and all supporting documentation was assigned Texas Comptroller Application No. 237.

The District entered in an agreement with Dow Agrosciences, LLC on May 1, 2013. The project scope was to design and construct a new Dichlorophenol plant in Freeport, Texas. Dichlorophenol is used in the production of Dow Agrosciences Frontline 2, 4-D herbicide. In addition to the tax abatement, Dow Agrosciences, LLC has committed to the payment in lieu of taxes program. The agreement and all supporting documentation was assigned Texas Comptroller Application No. 216.

The District entered into an agreement with Freeport Ammonia, LLC/Yara Freeport, LLC on November 11, 2014. The project scope was to design and construct an ammonia production facility, as well as related utility, infrastructure and logistics improvements. The plant will manufacture ammonia that is used in products such as nylon, polyurethanes, water treatment products, personal health care products and many others. In addition to the tax abatement, Freeport Ammonia, LLC/Yara Freeport, LLC has committed to the payment in lieu of taxes program. The agreement and all supporting documentation was assigned Texas Comptroller Application No. 1007.

The District entered into an agreement with The Dow Chemical Company on September 5, 2012. The project scope was to design and construct an in-purpose propylene plant that will use propane as a feedstock to produce propylene. The process is known as propane dehydrogenation. The project also included site improvements, pipe ways and utility services, foundations and process equipment including vessels, reactors, pumps, pipes, valves, filters and electrical systems. In addition to the tax abatement, The Dow Chemical Company has committed to the payment in lieu of taxes program. The agreement and all supporting documentation was assigned Texas Comptroller Application No. 214.

The District entered into an agreement with Freeport LNG on February 19, 2013. The project scope was to design and construct a Train 1 natural gas liquefaction infrastructure at an existing terminal to provide capacity of approximately 4.4 million metric tons per annum (mtpa) of liquid natural gas per liquefaction train. In addition to the tax abatement, Freeport LNG has committed to the payment in lieu of taxes program. The agreement and all supporting documentation was assigned Texas Comptroller Application No. 244.

The District entered into an agreement with Praxair on October 25, 2016. The project scope was to design and construct an industrial gas complex comprising of two plants: (1) a new world scale air separation unit for the production of argon, oxygen and nitrogen and (2) a world scale carbon dioxide purification and liquefaction plant. In addition to the tax abatement, Praxair has committed to the payment in lieu of taxes program. The agreement and all supporting documentation was assigned Texas Comptroller Application No. 1144.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

NOTE 16. TAX ABATEMENTS (Continued)

Application Number	Project Value	Project's Value Limitation Amount	Amount of Applicant's M&O Taxes Paid	Amount of Applicant's M&O Taxes Reduced	Company Revenue Loss Payments to the District	Company PILOT Payment to District	Net Benefit (Loss) to the District
172	\$ 762,668,250	\$ 30,000,000	\$ 291,000	\$ 7,640,750	\$ 8,578	\$ 806,482	\$ 1,106,060
213	61,968,450	30,000,000	291,000	353,472		32,124	323,124
237	78,094,360	30,000,000	291,000	521,181	382	46,613	337,995
1007	302,842,220	30,000,000	291,000	2,858,559	62,473	258,410	611,883
216	150,000,000	30,000,000	291,000	1,269,000	22,786	114,121	427,907
214	851,945,870	30,000,000	291,000	8,569,237	5,449	1,049,250	1,345,699
244	993,598,730	30,000,000	291,000	10,042,427	5,387,886	395,902	6,074,788
1112	<u>490,614,720</u>	<u>30,000,000</u>	<u>291,000</u>	<u>4,811,393</u>	<u>512,254</u>	<u>395,571</u>	<u>1,198,825</u>
	\$ <u>3,691,732,600</u>	\$ <u>240,000,000</u>	\$ <u>2,328,000</u>	\$ <u>36,066,019</u>	\$ <u>5,999,808</u>	\$ <u>3,098,473</u>	\$ <u>11,426,281</u>

NOTE 17. SUBSEQUENT EVENT

The District has evaluated subsequent events through December 4, 2020, the date which the financial statements were available to be issued.

On October 1, 2020, the District issued \$ 102,070,000 of Series 2020 Unlimited Tax School Building and Refunding Bonds for the construction, renovation, and equipment of school facilities, the purchase of necessary sites for school buildings in the District, the purchase of new school buses, and the refunding of the Series 2011 Unlimited Tax Refunding bonds maturing in 2035. The bonds have stated interest rates of 2.00% - 5.00%. The bonds are to be paid from annual ad valorem interest and bonded indebtedness.

The following is a schedule of principal maturity for the Series 2020 Unlimited Tax School Building and Refunding Bonds:

<u>Maturing February 15</u>	<u>Principal</u>
2021	\$ 7,480,000
2022	8,175,000
2023	8,780,000
2024	3,105,000
2025	4,910,000
2026-2029	31,315,000
2031-2035	<u>38,305,000</u>
Total	\$ <u>102,070,000</u>

THIS PAGE LEFT BLANK INTENTIONALLY.

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

Exhibit G-1

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2020**

Data Control Codes	General Fund				Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES:					
5700	Local and intermediate sources	\$ 145,414,659	\$ 145,424,199	\$ 137,179,523	\$ (8,244,676)
5800	State program revenues	7,455,725	7,455,725	11,771,648	4,315,923
5900	Federal program revenues	<u>2,245,000</u>	<u>2,245,000</u>	<u>2,093,273</u>	<u>(151,727)</u>
5020	Total revenues	<u>155,115,384</u>	<u>155,124,924</u>	<u>151,044,444</u>	<u>(4,080,480)</u>
EXPENDITURES:					
Current:					
0011	Instruction	71,791,540	70,478,654	67,438,245	3,040,409
0012	Instructional resources and media services	1,711,189	1,833,008	1,571,802	261,206
0013	Curriculum and instructional staff development	3,594,444	3,709,807	3,111,497	598,310
0021	Instructional leadership	3,134,675	3,129,063	2,950,308	178,755
0023	School leadership	8,735,335	8,730,585	8,395,441	335,144
0031	Guidance, counseling, and evaluation services	5,898,335	5,922,936	5,020,924	902,012
0032	Social work services	439,993	464,993	403,701	61,292
0033	Health services	1,490,838	1,590,838	1,403,662	187,176
0034	Student transportation	2,843,195	2,843,195	2,538,609	304,586
0036	Extracurricular activities	4,533,658	4,638,192	4,099,563	538,629
0041	General administration	2,888,799	3,141,520	2,904,472	237,048
0051	Facilities maintenance and operations	13,399,791	13,849,791	13,068,442	781,349
0052	Security and monitoring services	2,060,974	2,161,774	2,062,789	98,985
0053	Data processing services	2,432,164	2,532,164	2,280,378	251,786
0061	Community services	12,900	12,900	8,041	4,859
Debt Service:					
0071	Debt service - principal	515,000	4,635,000	4,635,000	-0-
0071	Debt service - interest and fees	410,000	410,000	409,584	416
Capital Outlay:					
0081	Facilities acquisition and construction		420,951	420,950	1
Intergovernmental:					
0091	Contracted instructional services between public schools	27,623,174	33,679,174	30,304,764	3,374,410
0093	Payments related to shared services arrangements	61,500	61,500	61,500	-0-
0095	Payments to juvenile justice alternative education programs	52,000	52,000	13,300	38,700
0099	Other intergovernmental charges	<u>1,306,546</u>	<u>1,306,546</u>	<u>1,182,152</u>	<u>124,394</u>
6030	Total expenditures	<u>154,936,050</u>	<u>165,604,591</u>	<u>154,285,124</u>	<u>11,319,467</u>
1100	Excess (deficiency) of revenues over expenditures	<u>179,334</u>	<u>(10,479,667)</u>	<u>(3,240,680)</u>	<u>7,238,987</u>
OTHER FINANCING SOURCES (USES):					
7912	Sale of real or personal property			27,023	27,023
7915	Transfers in			59,759	59,759
8911	Transfers out		(250,000)	(250,000)	-0-
	Total other financing sources (uses)	<u>-0-</u>	<u>(250,000)</u>	<u>(163,218)</u>	<u>86,782</u>
1200	Net change in fund balance	179,334	(10,729,667)	(3,403,898)	7,325,769
0100	Fund balance - beginning	<u>74,828,086</u>	<u>74,828,086</u>	<u>74,828,086</u>	<u>-0-</u>
3000	Fund balance - ending	<u>\$ 75,007,420</u>	<u>\$ 64,098,419</u>	<u>\$ 71,424,188</u>	<u>\$ 7,325,769</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND RELATED RATIOS - COST SHARING EMPLOYER PLAN
FOR THE LAST TEN MEASUREMENT YEARS ENDED AUGUST 31 (1)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability	0.0502446%	0.0762038%	0.0757160%	0.0802290%
District's proportionate share of the net pension liability	\$ 13,421,028	\$ 26,937,029	\$ 28,611,962	\$ 25,652,918
State's proportionate share of the net pension liability associated with the District	<u>8,105,161</u>	<u>14,477,947</u>	<u>15,089,480</u>	<u>13,292,486</u>
Total	<u>\$ 21,526,189</u>	<u>\$ 41,414,976</u>	<u>\$ 43,701,442</u>	<u>\$ 38,945,404</u>
District's covered payroll	\$ 70,210,198	\$ 70,210,198	\$ 77,047,832	\$ 82,198,510
District's proportionate share of the net pension liability as a percentage of its covered payroll	19.12%	38.37%	37.14%	31.21%
Plan fiduciary net position as a percentage of total pension liability	83.25%	78.43%	78.00%	82.17%

(1) Ten years of data should be presented in this schedule but data is unavailable prior to 2014. Net pension liability and related ratios will be presented prospectively as data becomes available.

<u>2018</u>	<u>2019</u>
0.0838298%	0.0913700%
\$ 46,141,942	\$ 47,496,966
<u>23,515,849</u>	<u>31,968,620</u>
\$ <u>69,657,791</u>	\$ <u>79,465,586</u>
\$ 85,275,018	\$ 90,879,588
54.11%	52.26%
73.74%	75.24%

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED CONTRIBUTIONS -
COST SHARING EMPLOYER PLAN
FOR THE LAST TEN YEARS ENDED AUGUST 31 (1)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contributions	\$ 1,273,841	\$ 2,256,428	\$ 2,405,690	\$ 2,629,439
Contributions in relation to the contractually required contribution	<u>1,273,841</u>	<u>2,256,428</u>	<u>2,405,690</u>	<u>2,629,439</u>
Contribution deficiency (excess)	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>
District's covered payroll	\$ 70,210,198	\$ 77,047,832	\$ 82,198,510	\$ 85,275,018
Contributions as a percentage of covered payroll	1.81%	2.93%	2.93%	3.08%

(1) Ten years of data should be presented in this schedule but data is unavailable prior to 2015. Data will be presented prospectively as data becomes available.

<u>2019</u>	<u>2020</u>
\$ 3,035,004	\$ 3,428,056
<u>3,035,004</u>	<u>3,428,056</u>
\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>
\$ 90,879,588	\$ 96,865,034
3.34%	3.54%

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

Exhibit G-4

*SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
AND RELATED RATIOS - COST SHARING EMPLOYER PLAN
FOR THE LAST TEN MEASUREMENT YEARS ENDED AUGUST 31 (1)*

	<u>2017</u>	<u>2018</u>	<u>2019</u>
District's proportion of the net OPEB liability	0.109459%	0.110994%	0.114839%
District's proportionate share of the net OPEB liability	\$ 47,599,482	\$ 55,420,468	\$ 54,308,834
State's proportionate share of the net OPEB liability associated with the District	<u>27,817,714</u>	<u>31,825,427</u>	<u>30,988,075</u>
Total	<u>\$ 75,417,196</u>	<u>\$ 87,245,895</u>	<u>\$ 85,296,909</u>
District's covered payroll	\$ 82,198,510	\$ 85,275,018	\$ 90,879,588
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	57.91%	64.99%	59.76%
Plan fiduciary net position as a percentage of total OPEB liability	0.91%	1.57%	2.66%

(1) The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

BRAZOSPORPT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED OPEB CONTRIBUTIONS - COST SHARING
EMPLOYER PLAN
FOR THE LAST TEN YEARS ENDED AUGUST 31 (1)

Exhibit G-5

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contributions	\$ 569,077	\$ 589,847	\$ 841,000
Contributions in relation to the contractually required contribution	<u>569,077</u>	<u>589,847</u>	<u>841,000</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered payroll	\$ 85,275,018	\$ 90,879,588	\$ 96,865,034
Contributions as a percentage of covered payroll	0.67%	0.65%	0.87%

(1) Ten years of data should be presented in this schedule but data is unavailable prior to 2015. Data will be presented prospectively as data becomes available.

THIS PAGE LEFT BLANK INTENTIONALLY.

OTHER SUPPLEMENTARY INFORMATION

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2020

Data Control Codes						Special
		211 ESEA Title I Part A Improving Basic Programs	224 IDEA Part B Formula	225 IDEA Part B Preschool	226 IDEA Part B Discretionary	240 National School Breakfast and Lunch Program
	ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:					
1110	Cash and cash equivalents	\$	\$	\$	\$ 4,836	\$ 2,504,109
1120	Current investments					
1240	Receivables from other governments	518,781	584,930	18,110		114,748
1260	Due from other funds	5,518	35,147			58
1290	Other receivables					20,940
1300	Inventories					82,027
1000	Total assets	<u>524,299</u>	<u>620,077</u>	<u>18,110</u>	<u>4,836</u>	<u>2,721,882</u>
	DEFERRED OUTFLOWS OF RESOURCES					
1700	Deferred outflows of resources					
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	Total assets and deferred outflows of resources	<u>\$ 524,299</u>	<u>\$ 620,077</u>	<u>\$ 18,110</u>	<u>\$ 4,836</u>	<u>\$ 2,721,882</u>
	LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:					
	Liabilities:					
2110	Accounts payable	\$ 6,490	\$ 11,278	\$	\$	\$ 174,163
2160	Accrued wages payable	132,358	173,307	4,830		162,728
2170	Due to other funds	385,451	435,492	13,280	4,836	2,097,435
2300	Unearned revenue					72,109
2000	Total liabilities	<u>524,299</u>	<u>620,077</u>	<u>18,110</u>	<u>4,836</u>	<u>2,506,435</u>
	DEFERRED INFLOWS OF RESOURCES					
2600	Deferred inflows of resources					
	Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	Fund Balance:					
	Nonspendable:					
3410	Inventories					82,027
	Restricted:					
3450	Grant Funds					133,420
3490	Other					
3000	Total fund balance	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>215,447</u>
4000	Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 524,299</u>	<u>\$ 620,077</u>	<u>\$ 18,110</u>	<u>\$ 4,836</u>	<u>\$ 2,721,882</u>

Revenue Funds							
244	255	263	266	289	385	397	410
Career and Technical Basic Grant	ESEA, Title II Part A-Teacher and Principal Training and Recruiting	Tite III, Part A English Language Acquisition and Language Program	ESSER Grant	Federally Funded Special Revenue Funds	State Supplemental Visually Impaired (SSVI)	Advanced Placement Incentives	State Instructional Materials Fund
\$	\$	\$	\$	\$	\$	\$	\$
44,533	45,530	23,061	1,789,386 200,052	12,531			608,071
<u>44,533</u>	<u>45,530</u>	<u>23,061</u>	<u>1,989,438</u>	<u>12,531</u>	<u>-0-</u>	<u>-0-</u>	<u>608,071</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 44,533</u>	<u>\$ 45,530</u>	<u>\$ 23,061</u>	<u>\$ 1,989,438</u>	<u>\$ 12,531</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 608,071</u>
\$ 3,176 41,357	\$ 7,113 38,417	\$ 1,704 1,607 19,750	\$ 1,989,438	\$ 5,039 7,492	\$	\$	\$ 567,004 41,067
<u>44,533</u>	<u>45,530</u>	<u>23,061</u>	<u>1,989,438</u>	<u>12,531</u>	<u>-0-</u>	<u>-0-</u>	<u>608,071</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 44,533</u>	<u>\$ 45,530</u>	<u>\$ 23,061</u>	<u>\$ 1,989,438</u>	<u>\$ 12,531</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 608,071</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2020

						Special
		427	429	461	472	480
Data Control Codes		Criminal Justice Planning Grant	State Funded Special Revenue Funds	Campus Activity Funds	BISD Education Foundation	Lowe's Grants
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:						
1110	Cash and cash equivalents	\$	\$ 67,151	\$ 1,100,499	\$ 543,125	\$ 37
1120	Current Investments				401,318	
1240	Receivables from other governments					
1260	Due from other funds					
1290	Other receivables				100	
1300	Prepaid items					
1000	Total assets	<u>-0-</u>	<u>67,151</u>	<u>1,100,499</u>	<u>944,543</u>	<u>37</u>
DEFERRED OUTFLOWS OF RESOURCES						
1700	Deferred outflows of resources					
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	Total assets and deferred outflows of resources	<u>\$ -0-</u>	<u>\$ 67,151</u>	<u>\$ 1,100,499</u>	<u>\$ 944,543</u>	<u>\$ 37</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:						
Liabilities:						
2110	Accounts payable	\$	\$	\$	\$ 335	\$
2160	Accrued wages payable					
2170	Due to other funds		639		1,625	37
2300	Unearned revenue		<u>66,512</u>			
2000	Total liabilities	<u>-0-</u>	<u>67,151</u>	<u>-0-</u>	<u>1,960</u>	<u>37</u>
DEFERRED INFLOWS OF RESOURCES						
2600	Deferred inflows of resources					
	Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balance:						
Nonspendable:						
3410	Inventories					
Restricted:						
3460	Grant Funds					
3490	Other			<u>1,100,499</u>	<u>942,583</u>	
3000	Total fund balance	<u>-0-</u>	<u>-0-</u>	<u>1,100,499</u>	<u>942,583</u>	<u>-0-</u>
4000	Total liabilities, deferred inflows of resources, and fund balance	<u>\$ -0-</u>	<u>\$ 67,151</u>	<u>\$ 1,100,499</u>	<u>\$ 944,543</u>	<u>\$ 37</u>

Revenue Funds

481	482	483	484	489	490	
Region IV PBIS	PPCD Program	Region 4 School Support	Fluor Industries Grant	City of Lake Jackson PEG	Dow Education Grants	Total Nonmajor Governmental (See C-2)
\$	\$ 15,692	\$	\$ 2	\$	\$ 184,220	\$ 4,419,671
				48,584		401,318
710						3,808,265
9,450						241,485
						30,490
						82,027
<u>10,160</u>	<u>15,692</u>	<u>-0-</u>	<u>2</u>	<u>48,584</u>	<u>184,220</u>	<u>8,983,256</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
\$ <u>10,160</u>	\$ <u>15,692</u>	\$ <u>-0-</u>	\$ <u>2</u>	\$ <u>48,584</u>	\$ <u>184,220</u>	\$ <u>8,983,256</u>
\$	\$	\$	\$	\$	\$ 7,141	\$ 768,115
10,160			2	48,532		490,158
						5,135,010
						138,621
<u>10,160</u>	<u>-0-</u>	<u>-0-</u>	<u>2</u>	<u>48,532</u>	<u>7,141</u>	<u>6,531,904</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
						82,027
						133,420
	<u>15,692</u>			<u>52</u>	<u>177,079</u>	<u>2,235,905</u>
<u>-0-</u>	<u>15,692</u>	<u>-0-</u>	<u>-0-</u>	<u>52</u>	<u>177,079</u>	<u>2,451,352</u>
\$ <u>10,160</u>	\$ <u>15,692</u>	\$ <u>-0-</u>	\$ <u>2</u>	\$ <u>48,584</u>	\$ <u>184,220</u>	\$ <u>8,983,256</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2020

Data Control Codes		Special				
		211 ESEA Title I Part A Improving Basic Programs	224 IDEA Part B Formula	225 IDEA Part B Preschool	226 IDEA Part B Discretionary	240 National School Breakfast and Lunch Program
REVENUES:						
5700	Local and intermediate sources	\$ 104	\$ 264	\$	\$	\$ 1,113,446
5800	State program revenues					237,111
5900	Federal program revenues	<u>2,140,520</u>	<u>2,460,805</u>	<u>76,263</u>	<u>71,616</u>	<u>4,922,048</u>
5020	Total revenues	<u>2,140,624</u>	<u>2,461,069</u>	<u>76,263</u>	<u>71,616</u>	<u>6,272,605</u>
EXPENDITURES:						
Current:						
0011	Instruction	1,875,230	1,764,803	76,263	66,780	
0012	Instructional resources and media services					
0013	Curriculum and instructional staff development	132,044	5,803			
0021	Instructional leadership	53,447	65,143			
0023	School leadership	5,324	2,365			
0031	Guidance, counseling and evaluation services	484	555,296			
0032	Social work services	55,802	67,659			
0034	Student transportation				4,836	
0035	Food services					6,903,229
0036	Extracurricular activities					
0041	General administration					
0051	Facilities maintenance and operations					
0052	Security and monitoring services					
0053	Data processing					
0061	Community services	<u>18,293</u>				
6030	Total expenditures	<u>2,140,624</u>	<u>2,461,069</u>	<u>76,263</u>	<u>71,616</u>	<u>6,903,229</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(630,624)</u>
OTHER FINANCING SOURCES (USES):						
7912	Sale of real and personal property					19,235
7915	Transfers in					255,000
8911	Transfers out					
	Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>274,135</u>
1200	Net changes in fund balance	-0-	-0-	-0-	-0-	(356,489)
0100	Fund balance - beginning	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>571,936</u>
3000	Fund balance - ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 215,447</u>

Revenue Funds

244	255	263	266	289	385	397	410
Career and Technical Basic Grant	ESEA, Title II Part A - Teacher and Principal Training and Recruiting	Title III, Part A English Language Acquisition and Language Program	ESSER Grant	Federally Funded Special Revenue Funds	State Supplemental Visually Impaired (SSVI)	Advanced Placement Incentives	State Instructional Materials Fund
\$ 158	\$ 1	\$ 140	\$	\$	\$ 9,090	\$ 546	\$ 574,239
<u>188,165</u>	<u>254,379</u>	<u>87,262</u>	<u>1,719,472</u>	<u>139,036</u>			
<u>188,323</u>	<u>254,380</u>	<u>87,402</u>	<u>1,719,472</u>	<u>139,036</u>	<u>9,090</u>	<u>546</u>	<u>574,239</u>
178,615		64,916	999,435	9,435	9,090	546	574,239
9,708	96,278 158,102	14,898 683 4,589	123,654 1,144 429,835	25,907 36,000			
			106,895				
			11,597 37,926	67,694			
		2,326	8,986				
<u>188,323</u>	<u>254,380</u>	<u>87,402</u>	<u>1,719,472</u>	<u>139,036</u>	<u>9,090</u>	<u>546</u>	<u>574,239</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2020

						Special
		427	429	461	472	480
Data Control Codes		Criminal Justice Planning Grant	State Funded Special Revenue Funds	Campus Activity Funds	BISD Education Foundation	Lowe's Grants
REVENUES:						
5700	Local and intermediate sources	\$	\$ 49,988	\$ 871,867	\$ 699,550	\$
5800	State program revenues	83,000	1,050			
5900	Federal program revenues					
5020	Total revenues	<u>83,000</u>	<u>51,038</u>	<u>871,867</u>	<u>699,550</u>	<u>-0-</u>
EXPENDITURES:						
Current:						
0011	Instruction				73,442	474
0012	Instructional resources and media services				25,967	
0013	Curriculum and instructional staff development		1,050			
0021	Instructional leadership					
0023	School leadership					
0031	Guidance, counseling and evaluation services		49,988			
0032	Social work services	83,000				
0034	Student transportation					
0035	Food services				2,500	
0036	Extracurricular activities			914,575	12,030	
0041	General administration				77,668	
0051	Facilities maintenance and operations					
0052	Security and monitoring services					
0053	Data processing					
0061	Community services					
6030	Total expenditures	<u>83,000</u>	<u>51,038</u>	<u>914,575</u>	<u>191,607</u>	<u>474</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>(42,708)</u>	<u>507,943</u>	<u>(474)</u>
OTHER FINANCING SOURCES (USES):						
7912	Sale of real and personal property					
7915	Transfers in			10,075		
8911	Transfers out				(192,147)	
	Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>10,075</u>	<u>(192,147)</u>	<u>-0-</u>
1200	Net changes in fund balance	-0-	-0-	(32,633)	315,796	(474)
0100	Fund balance - beginning	<u>-0-</u>	<u>-0-</u>	<u>1,133,132</u>	<u>626,787</u>	<u>474</u>
3000	Fund balance - ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,100,499</u>	<u>\$ 942,583</u>	<u>\$ -0-</u>

Revenue Funds

481	482	483	484	489	490	
Region IV PBIS	PPCD Program	Region 4 School Support	Fluor Industries Grant	City of Lake Jackson PEG	Dow Education Grants	Total Nonmajor Governmental (See C-2)
\$ 9,450	\$	\$ 14,960	\$	\$ 48,584	\$ 81,508	\$ 2,890,020
						905,036
						<u>12,059,566</u>
<u>9,450</u>	<u>-0-</u>	<u>14,960</u>	<u>-0-</u>	<u>48,584</u>	<u>81,508</u>	<u>15,854,622</u>
320		14,960	19,664	48,584	153,227	5,930,023
1,770					35,241	25,967
7,360						446,353
						284,715
						8,833
						1,040,202
						242,641
						4,836
						7,012,624
						926,605
						89,265
						37,926
						67,694
						8,986
						<u>20,619</u>
<u>9,450</u>	<u>-0-</u>	<u>14,960</u>	<u>19,664</u>	<u>48,584</u>	<u>188,468</u>	<u>16,147,109</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(19,664)</u>	<u>-0-</u>	<u>(106,960)</u>	<u>(292,487)</u>
						19,135
					117,313	382,388
						<u>(192,147)</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>117,313</u>	<u>209,376</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(19,664)</u>	<u>-0-</u>	<u>10,353</u>	<u>(83,111)</u>
<u>-0-</u>	<u>15,692</u>	<u>-0-</u>	<u>19,664</u>	<u>52</u>	<u>166,726</u>	<u>2,534,463</u>
<u>\$ -0-</u>	<u>\$ 15,692</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 52</u>	<u>\$ 177,079</u>	<u>\$ 2,451,352</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
AUGUST 31, 2020

Exhibit H-3

Data Control Codes		Dental Plan	Worker's Compensation	Total (See D-1)
	Assets and Deferred Outflows of Resources:			
	Assets:			
1110	Cash and cash equivalents	\$ 52,786	\$ 134,887	\$ 187,673
1120	Investments	260,772	2,086,179	2,346,951
1290	Other receivables (net)	86		86
	Total current assets	313,644	2,221,066	2,534,710
	Deferred Outflows of Resources:			
1700	Deferred outflows of resources			-0-
	Total deferred outflows of resources	-0-	-0-	-0-
	Total assets and deferred outflows of resources	\$ 313,644	\$ 2,221,066	\$ 2,534,710
	Liabilities, Deferred Inflows of Resources and Net Position:			
	Liabilities:			
2165	Accrued liabilities	\$ 41,258	\$ 177,908	\$ 219,166
2000	Total liabilities	41,258	177,908	219,166
	Deferred Inflows of Resources:			
2600	Deferred inflows of resources			-0-
	Total deferred inflows of resources	-0-	-0-	-0-
	Net Position:			
3900	Unrestricted net position	272,386	2,043,158	2,315,544
3000	Total net position	272,386	2,043,158	2,315,544
	Total liabilities, deferred outflows of resources, and net position	\$ 313,644	\$ 2,221,066	\$ 2,534,710

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

Exhibit H-4

	<u>Dental Plan</u>	<u>Worker's Compensation</u>	<u>Total (See D-2)</u>
Operating Revenues:			
Charges for services	\$ <u>668,384</u>	\$ <u>319,365</u>	\$ <u>987,749</u>
Total operating revenues	<u>668,384</u>	<u>319,365</u>	<u>987,749</u>
Operating Expenses:			
Insurance claims and expenses	<u>734,754</u>	<u>332,534</u>	<u>1,067,288</u>
Total operating expenses	<u>734,754</u>	<u>332,534</u>	<u>1,067,288</u>
Operating loss	<u>(66,370)</u>	<u>(13,169)</u>	<u>(79,539)</u>
Nonoperating Revenues:			
Investment earnings	<u>7,514</u>	<u>40,437</u>	<u>47,951</u>
Total nonoperating revenues	<u>7,514</u>	<u>40,437</u>	<u>47,951</u>
Change in net position	<u>(58,856)</u>	<u>27,268</u>	<u>(31,588)</u>
Net position - beginning	<u>331,242</u>	<u>2,015,890</u>	<u>2,347,132</u>
Net position - ending	<u>\$ 272,386</u>	<u>\$ 2,043,158</u>	<u>\$ 2,315,544</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

Exhibit H-5

	<u>Dental Plan</u>	<u>Worker's Compensation</u>	<u>Total (See D-3)</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 668,298	\$ 319,365	\$ 987,663
Payments to other funds			0
Payments to suppliers		(4,914)	(4,914)
Claims paid	(734,094)	(295,326)	(1,029,420)
Net cash provided (used) by operating activities	(65,796)	19,125	(46,671)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Net cash provided (used) by noncapital financing activities			-0-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Net cash provided (used) by capital and related financing activities			-0-
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(519,553)	(4,154,077)	(4,673,630)
Sale of Investments	508,000	4,061,000	4,569,000
Investment earnings	7,150	36,113	43,263
Net cash used by investing activities	(4,403)	(56,964)	(61,367)
Net decrease in cash and cash equivalents	(70,199)	(37,839)	(108,038)
Balances - beginning of the year	<u>122,985</u>	<u>172,726</u>	<u>295,711</u>
Balances - end of the year	<u>\$ 52,786</u>	<u>\$ 134,887</u>	<u>\$ 187,673</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating loss	\$(66,370)	\$(13,169)	\$(79,539)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:			
Changes in Assets and Liabilities:			
Other receivables	(86)		(86)
Accrued liabilities	<u>660</u>	<u>32,294</u>	<u>32,954</u>
Net cash provided (used) by operating activities	<u>\$(65,796)</u>	<u>\$ 19,125</u>	<u>\$(46,671)</u>
NONCASH INVESTING ACTIVITIES:			
Increase in fair value of investments	<u>\$ 365</u>	<u>\$ 4,324</u>	<u>\$ 4,689</u>

THIS PAGE LEFT BLANK INTENTIONALLY.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED AUGUST 31, 2020

Last Ten Years Ended August 31,	Tax Rates		Assessed/Appraised Value for School Tax Purposes	Beginning Balance September 1, 2019
	Maintenance	Debt Service		
2010 and Prior	\$ Various	\$ Various	\$ Various	\$ 174,477
2011	1.040000	0.201500	6,238,933,790	38,291
2012	1.040000	0.201500	6,068,476,601	29,601
2013	1.040000	0.209500	6,431,912,070	46,847
2014	1.040000	0.215300	6,409,126,185	58,480
2015	1.040000	0.215300	6,933,187,931	61,943
2016	1.040000	0.215300	8,001,042,265	92,765
2017	1.040000	0.215300	8,457,052,204	125,831
2018	1.040000	0.215300	11,394,834,859	260,520
2019	1.040000	0.215300	12,835,080,081	674,563
2020 (School Year Under Audit)	0.970000	0.215300	13,160,599,931	
1000 Totals				\$ <u>1,563,318</u>

Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance August 31, 2020
\$	\$ 5,475	\$ 825	\$(30,004)	\$ 138,173
	1,832	356	0	36,103
	2,006	388	0	27,207
	3,819	806	(7)	42,215
	4,657	985	(8)	52,830
	6,386	1,323	2,901	57,135
	11,875	2,458	4,794	83,226
	6,886	1,425	(22,501)	95,019
	75,257	15,579	(15,203)	154,481
	242,956	50,297	(102,053)	279,257
<u>153,479,322</u>	<u>125,265,320</u>	<u>34,506,727</u>	<u>6,923,753</u>	<u>631,028</u>
<u>\$ 153,479,322</u>	<u>\$ 125,626,469</u>	<u>\$ 34,581,169</u>	<u>\$ 6,761,672</u>	<u>\$ 1,596,674</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

Exhibit J-4

*SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2020*

Data Control Codes	National School Breakfast and Lunch Program				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES:					
5700	Local and intermediate sources	\$ 1,719,356	\$ 1,719,356	\$ 1,113,446	\$(605,910)
5800	State program revenues	31,000	256,000	237,111	(18,889)
5900	Federal program revenues	<u>5,103,045</u>	<u>5,103,045</u>	<u>4,922,048</u>	<u>(180,997)</u>
5020	Total revenues	<u>6,853,401</u>	<u>7,078,401</u>	<u>6,272,605</u>	<u>(805,796)</u>
EXPENDITURES:					
Current:					
0035	Food service	<u>6,853,401</u>	<u>7,078,401</u>	<u>6,903,229</u>	<u>175,172</u>
6030	Total expenditures	<u>6,853,401</u>	<u>7,078,401</u>	<u>6,903,229</u>	<u>175,172</u>
1100	Deficiency of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>(630,624)</u>	<u>(630,624)</u>
OTHER FINANCING SOURCES:					
7912	Sale of real and personal property			19,135	19,135
7915	Transfers in		<u>250,000</u>	<u>255,000</u>	<u>5,000</u>
	Total other financing sources	<u>-0-</u>	<u>250,000</u>	<u>274,135</u>	<u>24,135</u>
1200	Net change in fund balance	-0-	250,000	(356,489)	(606,489)
0100	Fund balance - beginning	<u>571,936</u>	<u>571,936</u>	<u>571,936</u>	<u>-0-</u>
3000	Fund balance - ending	<u>\$ 571,936</u>	<u>\$ 821,936</u>	<u>\$ 215,447</u>	<u>\$(606,489)</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2020

Exhibit J-5

Data Control Codes		Debt Service Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 35,216,386	\$ 35,216,386	\$ 35,117,200	\$ (99,186)
5800	State program revenues	114,203	114,203	101,827	(12,376)
5020	Total revenues	35,330,589	35,330,589	35,219,027	(111,562)
	EXPENDITURES:				
	Debt Service:				
0071	Debt service - principal	23,690,000	23,690,000	23,690,000	-0-
0071	Debt service - interest and fees	11,326,220	14,356,722	13,756,221	600,501
6030	Total expenditures	35,016,220	38,046,722	37,446,221	600,501
1100	Excess (deficiency) of revenues over expenditures	314,369	(2,716,133)	(2,227,194)	488,939
	OTHER FINANCING SOURCES:				
7916	Premium on issuance of general obligation bonds		3,030,502	3,030,500	(2)
	Total other financing sources	-0-	3,030,502	3,030,500	(2)
1200	Net change in fund balance	314,369	314,369	803,306	488,937
0100	Fund balance - beginning	13,990,687	13,990,687	13,990,687	-0-
3000	Fund balance - ending	\$ 14,305,056	\$ 14,305,056	\$ 14,793,993	\$ 488,937

THIS PAGE LEFT BLANK INTENTIONALLY.

FEDERAL AWARDS SECTION

THIS PAGE LEFT BLANK INTENTIONALLY.



Independent Auditor's Report

On Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees
Brazosport Independent School District
Freeport, Texas 77542

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 Brazosport Independent School District (the "District"), as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 2020.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Lake Jackson
8 W Way Ct.
Lake Jackson, TX 77566
979-297-4075

El Campo
201 W. Webb St.
El Campo, TX 77437
979-543-6836

Angleton
2801 N. Velasco, Suite C
Angleton, TX 77515
979-849-8297

Bay City
2245 Avenue G
Bay City, TX 77414
979-245-9236



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.

KM&L, LLC

Lake Jackson, Texas
December 4, 2020



Independent Auditor's Report
On Compliance for Each Major Program and on Internal Control Over Compliance Required by the
Uniform Guidance

The Board of Trustees
Brazosport Independent School District
Freeport, Texas 77542

Report on Compliance for Each Major Federal Program

We have audited Brazosport Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

Lake Jackson
8 W Way Ct.
Lake Jackson, TX 77566
979-297-4075

El Campo
201 W. Webb St.
El Campo, TX 77437
979-543-6836

Angleton
2801 N. Velasco, Suite C
Angleton, TX 77515
979-849-8297

Bay City
2245 Avenue G
Bay City, TX 77414
979-245-9236



Report on Internal Control over Compliance

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

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

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

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

KM&L, LLC

Lake Jackson, Texas
December 4, 2020

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2020

I. Summary of auditor's results:

1. Type of auditor's report issued on the financial statements: Unmodified.
2. No internal control findings, required to be reported in this schedule, were disclosed in the audit of the financial statements.
3. Noncompliance, which is material to the financial statements: None
4. No internal control findings, required to be reported in this schedule, were disclosed in the audit of the major programs.
5. Type of auditor's report on compliance for major programs: Unmodified.
6. Did the audit disclose findings, which are required to be reported in accordance with 2 CFR 200.516(a): No.
7. Major programs include:
 - Title 1 Grants to Local Educational Agencies - CFDA 84.010 A
 - Elementary and Secondary School Emergency Relief (ESSER) Fund - CFDA 84.425D
 - Child and Adult Care Food Program - CFDA 10.558
8. Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000.
9. Low risk auditee: Yes.

II. Findings related to the financial statements

The audit disclosed no findings required to be reported.

III. Findings and questioned costs related to the federal awards.

The audit disclosed no findings required to be reported.

In accordance with Title 2 U.S. Code of Federal Regulations §200.511, the auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings. This summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit's schedule of findings and questioned costs
- All audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected.

The schedule of status of prior audit findings is as follows:

None.



In accordance with Title 2 U.S. Code of Federal Regulations §200.511, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan must be presented to address each finding included in the current year auditor's reports. The corrective action plan is as follows:

None.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures Indirect Costs or Award Amount
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010A	20610101020905	\$ 2,045,638
Title I Grants to Local Educational Agencies	84.010A	21610101020905	128,708
Title I Grants to Local Educational Agencies	84.010A	2060141020905	<u>53,856</u>
			<u>2,228,202</u>
Passed Through State Department of Education:			
Special Education - Grants to States*	84.027A	206600010209056600	2,432,357
Special Education - Grants to States*	84.027A	216600010209056600	131,030
Special Education - Grants to States*	84.027A	66002006	<u>71,616</u>
			<u>2,635,003</u>
Passed Through State Department of Education:			
Special Education - Preschool Grants*	84.173A	206600010209056610	74,564
Special Education - Preschool Grants*	84.173A	216600010209056610	<u>4,830</u>
			<u>79,394</u>
Passed Through State Department of Education:			
Career and Technical Education - Basic Grants to States	84.048A	20420006020905	157,234
Career and Technical Education - Basic Grants to States	84.048A	21420006020905	9,708
Career and Technical Education - Basic Grants to States	84.048A	204200287110009	<u>27,273</u>
			<u>194,215</u>
Passed Through State Department of Education:			
English Language Acquisition State Grants	84.365A	20671001020905	89,829
English Language Acquisition State Grants	84.365A	21671001020905	<u>1,607</u>
			<u>91,436</u>
Passed Through State Department of Education:			
Improving Teacher Quality State Grants	84.367A	20694501020905	238,920
Improving Teacher Quality State Grants	84.367A	21694501020905	<u>25,958</u>
			<u>264,878</u>
Passed Through State Department of Education:			
Student Support and Academic Enrichment Program	84.424A	2068010020905	134,139
Student Support and Academic Enrichment Program	84.424A	2168010020905	<u>5,039</u>
			<u>139,178</u>
Passed Through State Department of Education:			
ESSER Grant	84.425D	20521001020905	<u>1,789,386</u>
			<u>1,789,386</u>
Passed Through State Department of Education:			
Grants for State Assessments and Related Activities	84.369A	69551902	<u>5,343</u>
			<u>5,343</u>
TOTAL DEPARTMENT OF EDUCATION			\$ <u>7,427,035</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures Indirect Costs or Award Amount
<u>U.S. Department of Agriculture</u>			
Direct Program:			
Commodity Supplement Program **	10.555	---	\$ <u>440,346</u>
			<u>440,346</u>
Passed Through State Department of Education:			
School Breakfast Program **	10.553	71401901	114,367
School Breakfast Program **	10.553	71402001	614,478
School Breakfast Program **	10.553	52402001	72,686
National School Lunch Program **	10.555	71301901	399,218
National School Lunch Program **	10.555	71302001	2,297,267
National School Lunch Program **	10.555	52302001	<u>230,171</u>
			<u>3,728,187</u>
Passed Through State Department of Agriculture:			
Child and Adult Care Food Program	10.558	---	<u>753,515</u>
			<u>753,515</u>
TOTAL DEPARTMENT OF AGRICULTURE			\$ <u>4,922,048</u>
<u>U.S. Department of Defense</u>			
Direct Programs:			
ROTC	12.000	---	\$ <u>71,134</u>
TOTAL DEPARTMENT OF DEFENSE			\$ <u>71,134</u>
<u>U.S. Department of Health & Human Services</u>			
Passed Through State Department of Human Services:			
Medicaid Administrative Claiming Program - MAC	93.778	529-07-0157-00033	\$ <u>52,509</u>
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES			\$ <u>52,509</u>
TOTAL FEDERAL ASSISTANCE			\$ <u>12,472,726</u>
*, ** - Cluster Programs			
RECONCILIATION:			
Federal Program Revenues (Exhibit C-2)			\$ 14,152,839
Less: School Health and Related Services (SHARS) not considered federal revenue for the Schedule of Federal Awards			(1,293,570)
Build America Bonds not considered federal revenue for the Schedule of Federal Awards			(386,543)
Total federal financial assistance (Schedule of expenditures of Federal Awards)			\$ <u>12,472,726</u>

See notes to supplemental Schedule of Expenditures of Federal Awards.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2020

NOTE 1 - BASIS OF ACCOUNTING

The District accounts for all awards under federal programs in the General and certain special revenue funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current position.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e. both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally unused balances are returned to the grantor at the close of specified project periods.

Commodity Supplement Program (CFDA 10.555) received like kind goods and no grant revenue received was reported on the schedule for the monetary value of these goods. The monetary value of goods received was \$ 446,618, while the monetary value of goods used and recognized as income and expenditures was \$ 440,346.

NOTE 2 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 3 - FEDERAL INDIRECT RATE

The District has elected to use the 10 percent de minimis indirect cost rate.