

**BRAZOSPORT
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
AUGUST 31, 2021**



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

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BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report
For the Year Ended August 31, 2021*

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INTRODUCTORY SECTION

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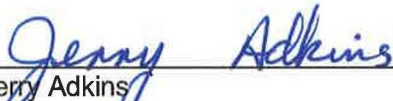
CERTIFICATE OF BOARD

Brazosport Independent School District
Name of School District

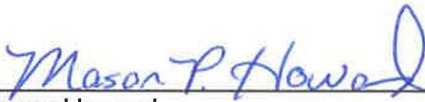
Brazoria
County

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, 2021, at a meeting of the board of trustees of such school district on the 13th day of December 2021.



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):

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FINANCIAL SECTION

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Independent Auditor's Report

To the Board of Trustees
Brazosport Independent School District
Freeport, Texas 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, 2021, 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.

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



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, 2021, 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.

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 pages 91 through 97 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 statistical section, 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, required Texas Education Agency schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information - Continued

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2021, 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 9, 2021

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BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021

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, 2021. 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 \$ 93,025,942 (*net position*). Of this amount, unrestricted net position is a deficit of \$ 32,519,865.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 263,380,270. Approximately 20.77% of this total amount, \$ 54,716,747, 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 \$ 54,716,747, or 43.37% of the total general fund expenditures.
- The District reported net pension liability of \$ 44,522,699 and a net OPEB liability of \$ 42,146,520, at August 31, 2021, 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 \$ 32,519,865.

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, 2021

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-nine (29) 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-six (26) 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 37 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, 2021

- **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 41 through 42. 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 44 through 87 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 91 through 97 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 100 through 110 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 \$ 93,025,942 as of August 31, 2021. Net position of the District's governmental activities increased by \$ 26,011,013, from \$ 67,014,929 to \$ 93,025,942.

The District's Net Position

	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 291,264,880	\$ 257,292,014
Capital assets	<u>376,889,747</u>	<u>306,333,609</u>
Total assets	<u>668,154,627</u>	<u>563,625,623</u>
Deferred outflows of resources	<u>27,654,120</u>	<u>34,748,941</u>
Total deferred outflows of resources	<u>27,654,120</u>	<u>34,748,941</u>
Long-term liabilities outstanding	535,348,602	479,153,449
Other liabilities	<u>25,697,223</u>	<u>20,972,081</u>
Total liabilities	<u>561,045,825</u>	<u>500,125,530</u>
Deferred inflows of resources	<u>41,736,980</u>	<u>31,234,105</u>
Total deferred inflows of resources	<u>41,736,980</u>	<u>31,234,105</u>
Net Position:		
Net investment in capital assets	111,771,223	86,225,158
Restricted	13,774,584	16,823,000
Unrestricted	<u>(32,519,865)</u>	<u>(36,033,229)</u>
Total net position	<u>\$ 93,025,942</u>	<u>\$ 67,014,929</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021

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 \$ 111,771,223. 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, \$ 13,774,584 represents resources that are subject to external restrictions on how they may be used. The remaining balance is a deficit of \$ 32,519,865, 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 \$ 26,011,013. The total cost of all *governmental activities* this year was \$ 169,216,465. The amount that our taxpayers paid for these activities through property taxes was \$ 133,487,031 or 78.89%.

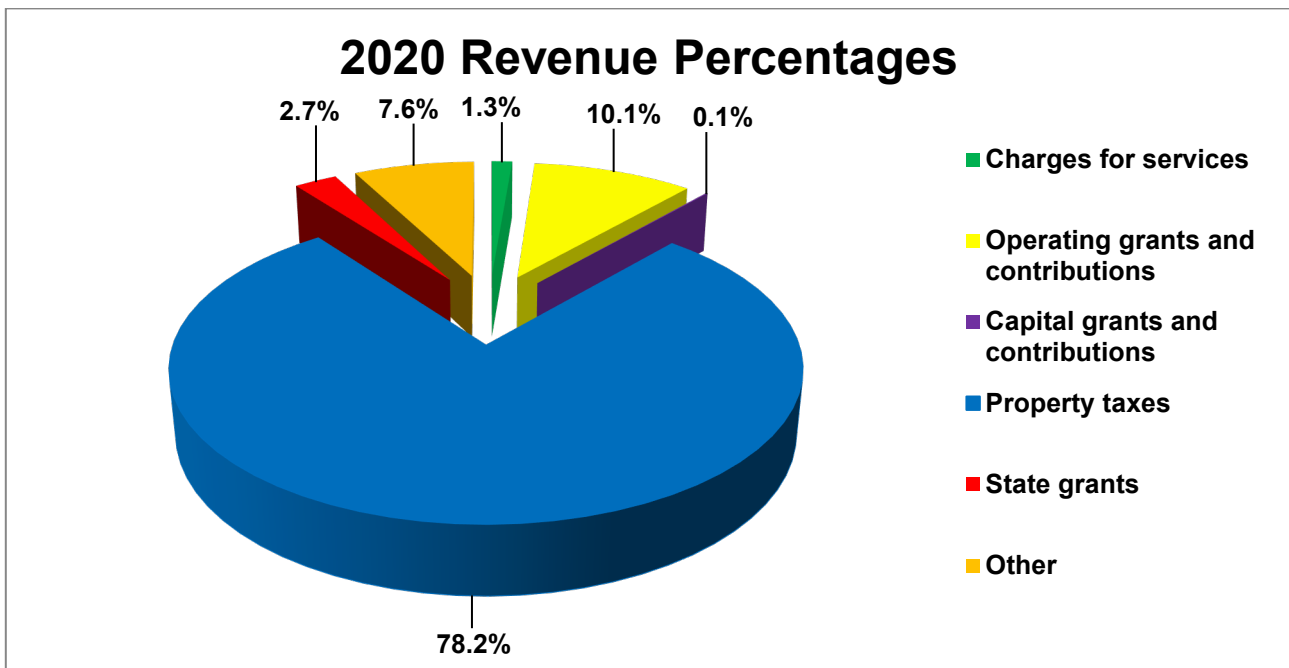
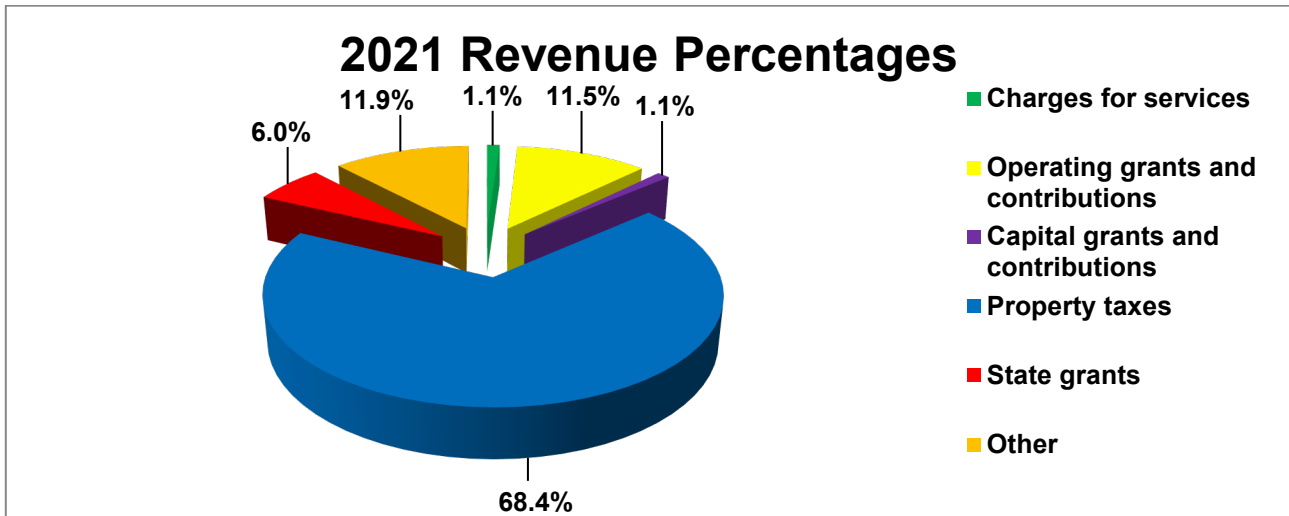
Changes in the District's Net Position

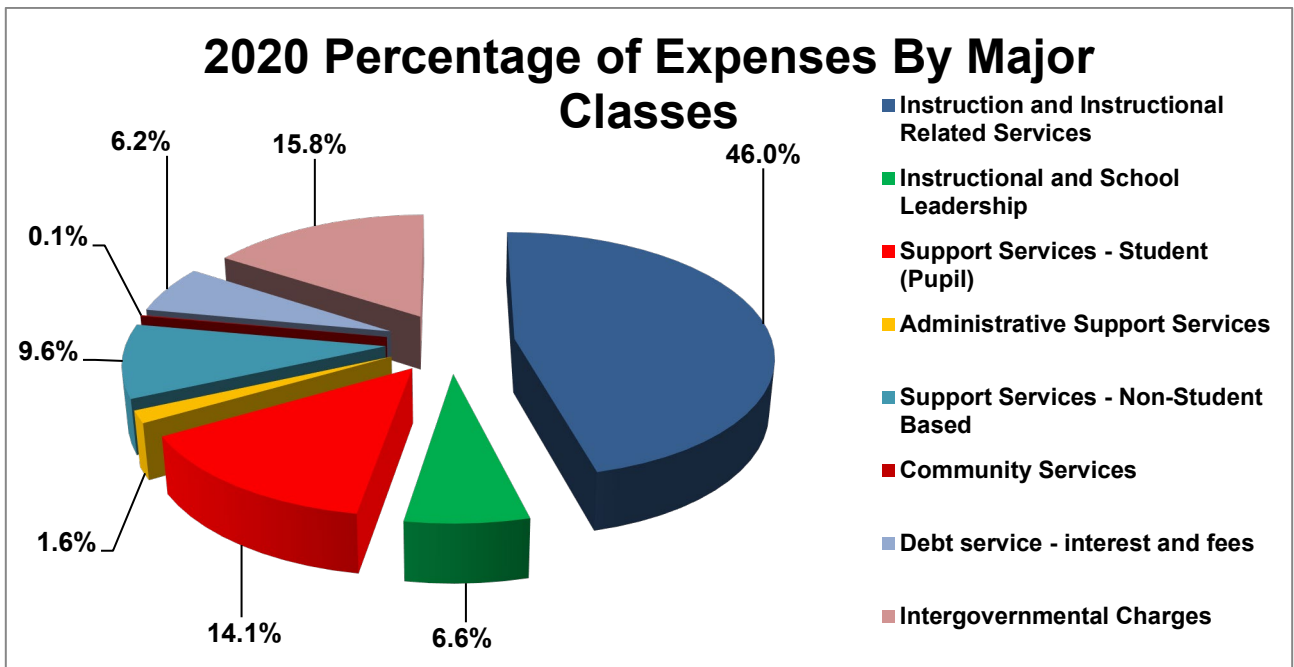
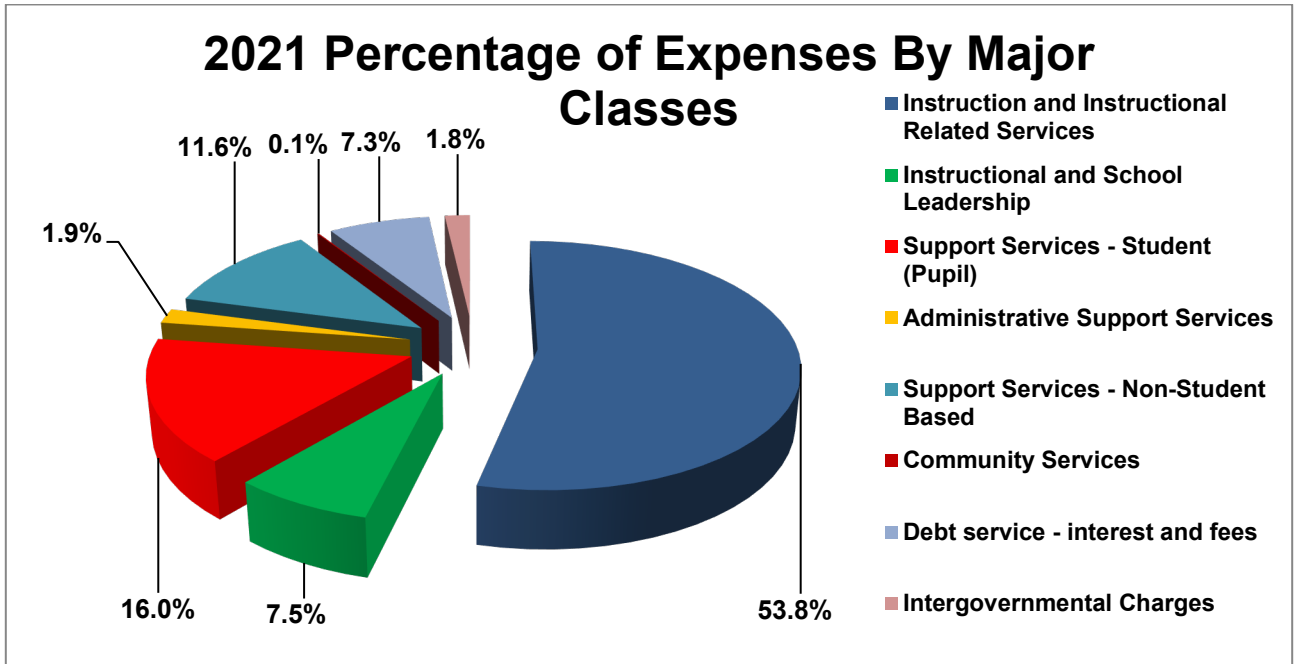
	<u>2021</u>	<u>2020</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 2,090,236	\$ 2,773,664
Operating grants and contributions	22,388,368	20,741,762
Capital grants and contributions	2,152,584	28,347
General Revenues:		
Property taxes	133,487,031	160,764,228
State grants	11,803,937	5,635,487
Other	<u>23,305,322</u>	<u>15,624,056</u>
Total revenues	<u>195,227,478</u>	<u>205,567,544</u>
Expenses:		
Instruction	85,219,015	85,011,094
Instructional resources and media services	2,263,924	2,284,466
Curriculum and instructional staff development	3,736,779	3,773,403
Instructional leadership	3,421,926	3,531,348
School leadership	9,230,519	9,537,097
Guidance, counseling and evaluation services	6,583,343	6,516,618
Social work services	554,350	659,390
Health services	1,722,098	1,559,815
Student (pupil) transportation	3,781,159	4,134,662
Food services	7,857,797	8,166,260
Cocurricular/extracurricular activities	6,530,065	6,870,719
General administration	3,188,294	3,228,080
Facilities maintenance and operations	14,525,471	14,271,154
Security and monitoring services	2,297,049	2,272,438
Data processing services	2,870,273	2,469,299
Community services	55,122	29,488
Debt service	12,353,105	12,251,793

(continued)

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021

	<u>2021</u>	<u>2020</u>
Contracted instructional services between public schools	\$ 1,557,190	\$ 30,304,764
Payments related to shared services arrangements	67,800	61,500
Payments to juvenile justice alternative education programs	16,400	13,300
Other governmental charges	<u>1,384,786</u>	<u>1,182,152</u>
 Total expenses	 <u>169,216,465</u>	 <u>198,128,840</u>
 Change in net position	 26,011,013	 7,438,704
 Net position - beginning	 <u>67,014,929</u>	 <u>59,576,225</u>
 Net position - ending	 <u>\$ 93,025,942</u>	 <u>\$ 67,014,929</u>





BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021

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 \$ 263,380,270, an increase of \$ 29,542,711. Approximately 20.77% of this total amount, \$ 54,716,747, 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 \$ 345,771, 2) for prepaid items \$ 1,640,914, 3) for grant funds \$ 710,044, 4) for capital acquisitions and contractual obligations \$ 176,519,783, 5) for debt service \$ 8,425,846, 6) other restricted \$ 5,221,165, 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 \$ 54,716,747, while the total fund balance was \$ 73,008,556. 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 43.37% of the total general fund expenditures, while total fund balance represents 57.87% of that same amount.

The fund balance of the District's general fund increased \$ 1,584,368 during the current fiscal year. Key factors related to this change are as follows:

- Adopted budget projected a \$4 million deficit
- \$1,500,000 increase in compensatory education funding
- \$1,400,000 increase in state funding related to the reduction of the instructional materials allotment which was recorded in another fund
- The reserve for debt service is budgeted as an expenditure
- Other functional expenditures were less than amounts originally budgeted

The debt service fund has a total fund balance of \$ 7,910,846, all of which is restricted for the payment of debt service. The decrease in fund balance during the period in the debt service fund was \$ 6,883,147. Following are factors contributing to this change:

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2021

- Adopted budget projected a \$314,369 surplus
- The last outstanding QZAB bond matured. 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 \$ 176,519,783, all of which is restricted for the acquisition of capital contractual obligations. The increase in fund balance during the period in the capital projects fund was \$ 31,351,757. Following are factors contributing to this change:

- Planned expenditures associated with the 2014 and 2019 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, 2021 amounted to \$ 2,261,252. The total decrease in net position was \$ 54,292.

General Fund Budgetary Highlights

The District made the following amendments to budgeted revenue.

- \$14,557,350 reduction in revenue due to certified M&O values less than preliminary amounts received from Brazoria County Appraisal District.
- \$2,045,000 increase to budgeted revenue related to TRS on-behalf payments; equivalent increase to appropriations

Following is a summary of amendments made to appropriations:

- 13,064,860 decrease for the accrued cost of recapture for August 2021
- \$2,045,000 increase to appropriations related to TRS on-behalf payments; equivalent increase to revenue.

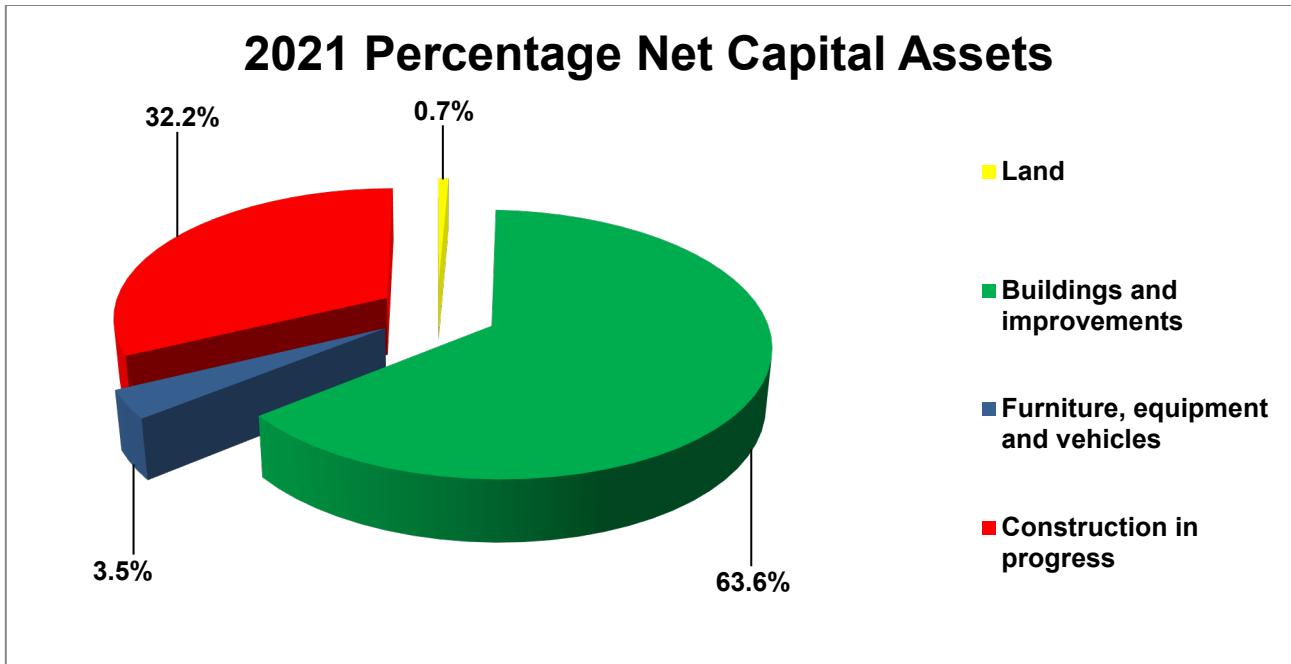
BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021

Capital assets. The District's investments in capital assets for its governmental activities as of August 31, 2021 amounts to \$ 376,889,747 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture, equipment and vehicles, and construction in progress.

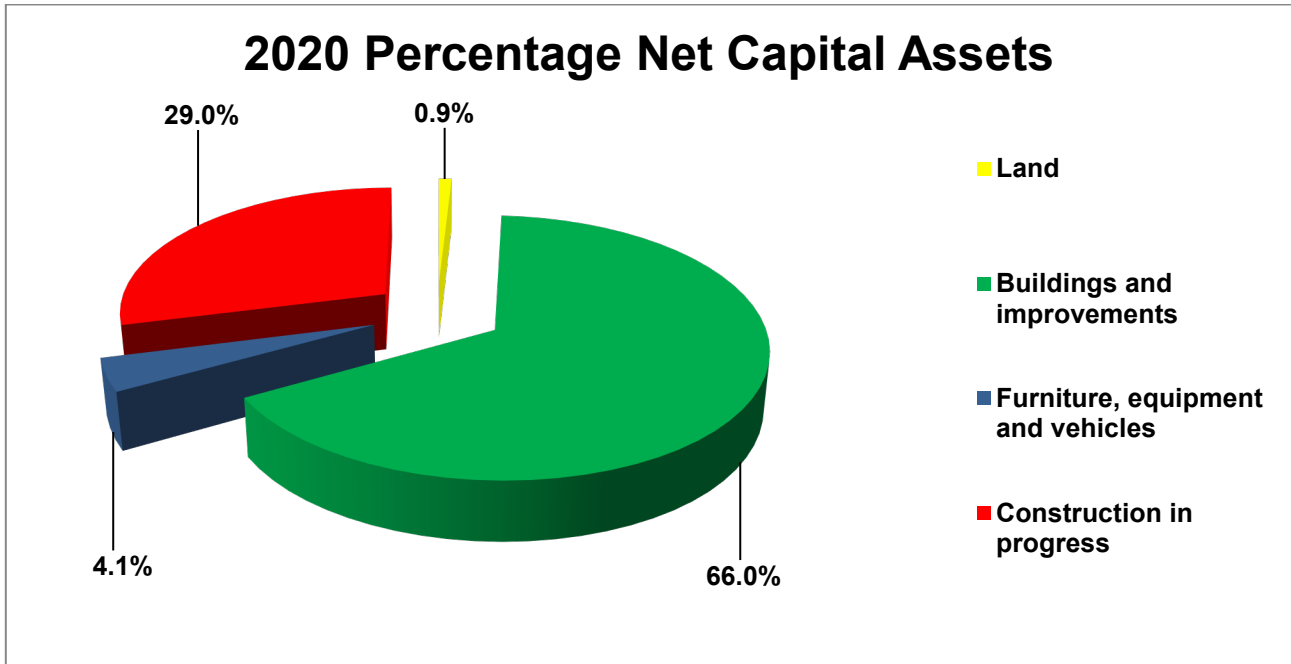
District's Capital Assets
(net of depreciation)

	<u>2021</u>	<u>2020</u>
Land	\$ 2,546,923	\$ 2,681,923
Buildings and improvements	239,762,858	202,286,115
Furniture, equipment and vehicles	13,320,197	12,618,875
Construction in progress	<u>121,259,769</u>	<u>88,746,696</u>
 Total at historical cost	 <u>\$ 376,889,747</u>	 <u>\$ 306,333,609</u>

Additional information on the District's capital assets can be found in Note 5 on pages 64 through 65 of this report.



BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021

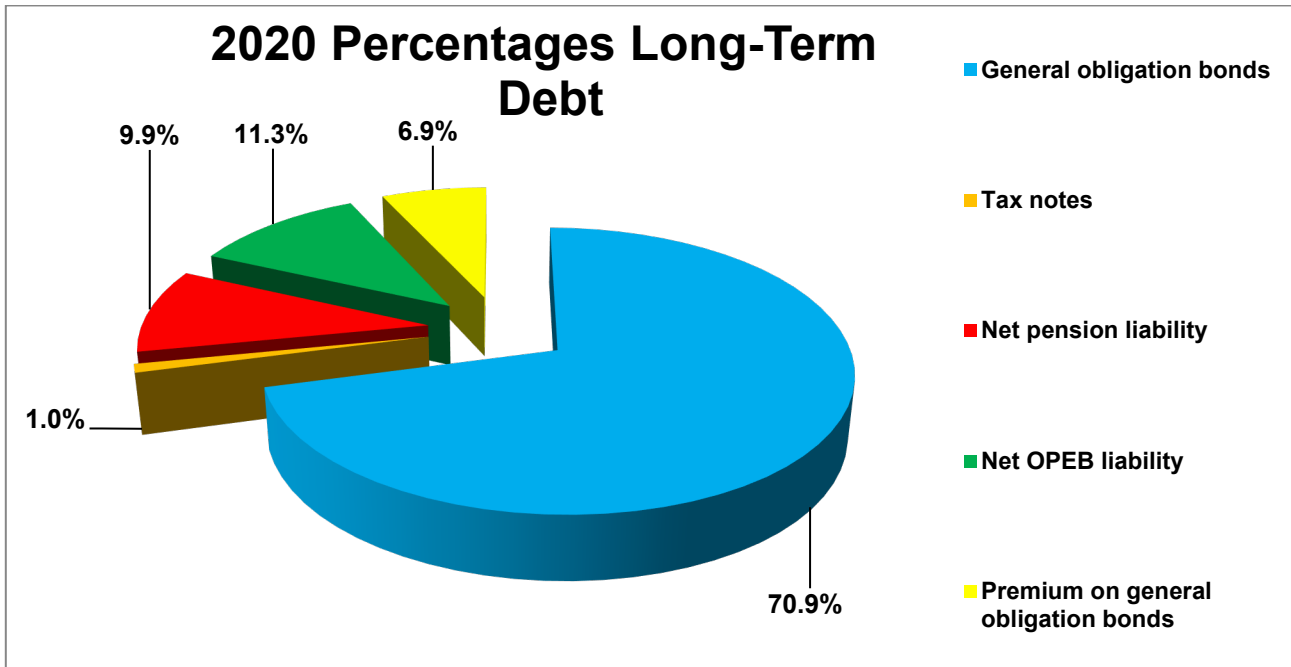
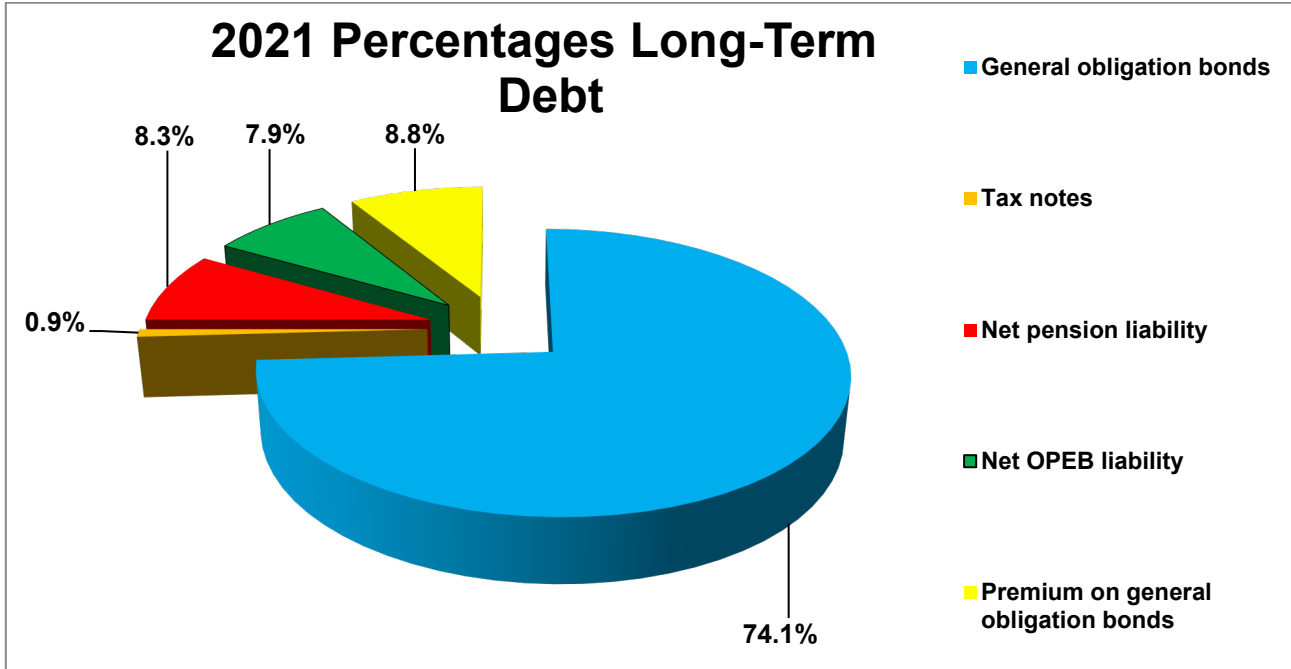


Long-term debt. At August 31, 2021, the District had total long-term debt outstanding of \$ 535,348,602. Long-term debt is made of general obligation bonds of \$ 397,085,000, tax notes of \$ 4,695,000, net pension liability of \$ 44,522,699, net OPEB liability of \$ 42,146,520, premium on general obligation bonds of \$ 46,899,393.

District's Long-Term Debt:

	<u>2021</u>	<u>2020</u>
General obligation bonds	\$ 397,085,000	\$ 339,784,043
Tax notes	4,695,000	4,695,000
Net pension liability	44,522,699	47,496,966
Net OPEB liability	42,146,520	54,308,834
Premium on general obligation bonds	<u>46,899,383</u>	<u>32,868,606</u>
 Total long-term debt	 <u>\$ 535,348,602</u>	 <u>\$ 479,153,449</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021



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 can be found in Note 6 on pages 66 through 69 of this report.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021

Economic Factors and Next Year's Budgets and Rates

- The District prepared the 2021-22 budgets with a tax rate of \$1.1787 per \$100 property valuation, a .0037 cent reduction from 2020-21. The General Fund (M&O) rate is \$0.9634 and Debt Service (I&S) rate is \$0.2153. The District is estimating 2021 M&O and I&S net taxable values to decrease by 14.54% and increase by .63%, respectively from 2020 values. With the decrease in the M&O rate and values, we are budgeting approximately \$17.78 million less in property tax revenue to the general fund. Maintaining the same I&S rate and with a decrease in values, we will generate a decrease of approximately \$273 thousand to the debt service fund.
- Weighted Average Daily Attendance (WADA) for 2021-22 is projected at 14,429, which is an increase from 14,277 from 2020-21 budgeted WADA. State funding will increase by \$1.2 million based on entitlement changes and local property collections. The District will not collect local revenue in excess of entitlement, therefore no recapture is being included for the 2021-22 budget year, which is a \$16.86 reduction.
- Payroll appropriations include \$1.22 million for the 2% midpoint raise that was Board approved for employees on the Teacher Pay Matrix. Payroll appropriations make up 86.29% of total general fund spending and have been reduced by \$8.55 million dollars.

These indicators were taken into account when adopting the budgets for 2021-22. The District has appropriated general fund revenues and expenditures in the 2021-2022 budget of \$117,440,010 and \$ 119,324,119, respectively. Total budgeted revenues decreased 16.53% and total expenditures decreased by 17.89% from the 2020-2021 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.

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BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2021

Exhibit A-1
Page 1 of 2

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	ASSETS:	
1110	Cash and cash equivalents	\$ 280,413,521
1120	Current investments	5,160,494
1220	Property taxes receivable	1,579,977
1230	Allowance for uncollectible taxes	(737,000)
1240	Due from other governments	2,764,958
1290	Other receivables (net)	96,245
1300	Inventories	345,771
1410	Prepaid items	1,640,914
	Capital Assets:	
1510	Land	2,546,923
1520	Building and improvements (net)	239,762,858
1530	Furniture, equipment and vehicles (net)	13,320,197
1580	Construction in progress	<u>121,259,769</u>
1000	Total assets	<u>668,154,627</u>
	DEFERRED OUTFLOWS OF RESOURCES	
1700	Deferred outflows of resources	<u>27,654,120</u>
	Total deferred outflows of resources	<u>27,654,120</u>
	LIABILITIES:	
2110	Accounts payable	12,993,116
2140	Accrued interest payable	706,964
2150	Payroll deductions and withholdings	993,333
2160	Accrued wages payable	6,719,193
2165	Accrued liabilities	239,475
2180	Due to other governments	1,513,205
2300	Unearned revenue	2,531,937
	Noncurrent Liabilities:	
2501	Due within one year	29,201,043
	Due in more than one year:	
2502	Bonds payable and other	419,478,340
2540	Net pension liability	44,522,699
2545	Net OPEB liability	<u>42,146,520</u>
2000	Total liabilities	<u>561,045,825</u>
	DEFERRED INFLOWS OF RESOURCES	
2600	Deferred inflows of resources	<u>41,736,980</u>
	Total deferred inflows of resources	<u>\$ 41,736,980</u>

(Continued)

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION - Continued
AUGUST 31, 2021

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	NET POSITION:	
3200	Net investment in capital assets	\$ 111,771,223
	Restricted For:	
3820	Federal and state programs	719,920
3850	Debt service	7,833,499
3870	Campus activities	1,119,206
3890	Other	4,101,959
3900	Unrestricted	<u>(32,519,865)</u>
3000	Total net position	<u>\$ 93,025,942</u>

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

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BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2021

Exhibit B-1

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Position
			3 Charges for Services	4 Operating Grants and Contributions	5 Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES:						
11	Instruction	\$ 85,219,015	\$ 388,599	\$ 9,915,514	\$ 256,338	\$(74,658,564)
12	Instructional resources and media services	2,263,924	9,382	99,053		(2,155,489)
13	Curriculum and instructional staff development	3,736,779	10,975	854,482		(2,871,322)
21	Instructional leadership	3,421,926	10,917	449,206		(2,961,803)
23	School leadership	9,230,519	44,507	469,208		(8,716,804)
31	Guidance, counseling, and evaluation services	6,583,343	26,901	1,171,766		(5,384,676)
32	Social work services	554,350	1,390	278,191		(274,769)
33	Health services	1,722,098	7,905	82,619		(1,631,574)
34	Student transportation	3,781,159	19,082	145,929	1,324,411	(2,291,737)
35	Food services	7,857,797	529,100	6,802,706		(525,991)
36	Extracurricular activities	6,530,065	956,867	199,947		(5,373,251)
41	General administration	3,188,294	8,774	357,366		(2,822,154)
51	Facilities maintenance and operations	14,525,471	52,643	331,417		(14,141,411)
52	Security and monitoring services	2,297,049	12,162	354,870	39,485	(1,890,532)
53	Data processing services	2,870,273	9,990	597,211	532,350	(1,730,722)
61	Community services	55,122	1,042	44,646		(9,434)
71	Debt service - interest and fees	12,353,105		222,937		(12,130,168)
91	Contracted instructional services between public schools	1,557,190				(1,557,190)
93	Payments related to shared service arrangements	67,800				(67,800)
95	Payments for juvenile justice alternative education programs	16,400		11,300		(5,100)
99	Other intergovernmental charges	1,384,786				(1,384,786)
TG	Total governmental activities	\$ 169,216,465	\$ 2,090,236	\$ 22,388,368	\$ 2,152,584	\$(142,585,277)
General revenues:						
Taxes:						
MT	Property taxes, levied for general purposes					\$ 92,000,471
DT	Property taxes, levied for debt service					41,486,560
SF	State aid-formula grants					11,803,937
GC	Grants and contributions not restricted to specific programs					3,665,196
IE	Investment earnings					534,317
MI	Miscellaneous					18,911,386
S1	Special item - gain on sale of fixed assets					194,423
TG	Total general revenues and special items					168,596,290
CN	Change in net position					26,011,013
NB	Net position - beginning					67,014,929
NE	Net position - ending					\$ 93,025,942

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2021

Exhibit C-1

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:						
1110	Cash and cash equivalents	\$ 78,240,872	\$ 7,869,847	\$ 188,602,031	\$ 5,288,448	\$ 280,001,198
1120	Current investments	1,948,438			1,123,721	3,072,159
1220	Taxes receivable	1,305,520	274,457			1,579,977
1230	Allowance for uncollectible taxes (credit)	(614,533)	(122,467)			(737,000)
1240	Receivables from other governments	115,197			2,649,761	2,764,958
1260	Due from other funds	4,549,946	22,824	84,920	2,677,704	7,335,394
1290	Other receivables	87,338			8,838	96,176
1300	Inventories	335,895			9,876	345,771
1410	Prepaid items	1,640,914				1,640,914
1000	Total assets	<u>\$ 87,609,587</u>	<u>\$ 8,044,661</u>	<u>\$ 188,686,951</u>	<u>\$ 11,758,348</u>	<u>\$ 296,099,547</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE:						
Liabilities:						
2110	Accounts payable	\$ 465,500	\$	\$ 12,161,062	\$ 366,554	\$ 12,993,116
2150	Payroll deductions and withholdings	993,333				993,333
2160	Accrued wages payable	5,816,961		4,833	897,399	6,719,193
2170	Due to other funds	2,785,448		1,273	4,548,673	7,335,394
2180	Payable to other governments	1,513,205				1,513,205
2300	Unearned revenue	2,508,102	19,198		4,637	2,531,937
2000	Total liabilities	<u>14,082,549</u>	<u>19,198</u>	<u>12,167,168</u>	<u>5,817,263</u>	<u>32,086,178</u>
2600	Deferred inflows of resources	<u>518,482</u>	<u>114,617</u>			<u>633,099</u>
	Total deferred inflows of resources	<u>518,482</u>	<u>114,617</u>	<u>-0-</u>	<u>-0-</u>	<u>633,099</u>
Fund Balance:						
Nonspendable:						
3410	Inventories	335,895			9,876	345,771
3430	Prepaid items	1,640,914				1,640,914
Restricted:						
3450	Grant funds				710,044	710,044
3470	Capital acquisitions and contractual obligations			176,519,783		176,519,783
3480	Debt service	515,000	7,910,846			8,425,846
3490	Other				5,221,165	5,221,165
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
3600	Unassigned	54,716,747				54,716,747
3000	Total fund balance	<u>73,008,556</u>	<u>7,910,846</u>	<u>176,519,783</u>	<u>5,941,085</u>	<u>263,380,270</u>
4000	Total liabilities, deferred inflows of resources and fund balance	<u>\$ 87,609,587</u>	<u>\$ 8,044,661</u>	<u>\$ 188,686,951</u>	<u>\$ 11,758,348</u>	<u>\$ 296,099,547</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, 2021

Exhibit C-2

Total fund balances - governmental funds balance sheet (C-1) \$ 263,380,270

Amounts reported for governmental activities in the statement of net position (A-1) are different because:

Capital assets net of accumulated depreciated unused in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The costs of these assets is \$ 496,226,035 and the accumulated depreciation is \$ 119,336,288 resulting in a net addition to net position. 376,889,747

Some receivables are not available soon enough to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. 633,099

Internal service funds are used by management to charge the costs of unemployment insurance and workers' compensation insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 2,261,252

The government-wide statement includes the District's proportionate share of TRS net pension liabilities, as well as pension related transactions accounted for as deferred inflows and outflows of resources. Liabilities at year-end related to such items consist of:

Net pension liability	\$(44,522,699)	
Deferred outflows of resources - TRS pension	19,295,813	
Deferred inflows of resources - TRS pension	<u>(8,655,142)</u>	(33,882,028)

The government-wide statement includes the District's proportionate share of TRS net OPEB liabilities, as well as pension related transactions accounted for as deferred inflows and outflows of resources. Liabilities at year-end related to such items consist of:

Net OPEB liability	\$(42,146,520)	
Deferred outflows of resources - TRS OPEB	8,149,684	
Deferred inflows of resources - TRS OPEB	<u>(33,081,838)</u>	(67,078,674)

Deferred outflows of resources related to deferred charges on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds. 208,623

Some liabilities, including bonds payable, capital lease payable, premium on bonds and accrued interest payable are not due and payable in the current period and, therefore, are not reported as a liability in the funds. Liabilities at year-end related to such items consist of:

General obligation bonds	\$(397,085,000)	
Tax notes	(4,695,000)	
Premium on bonds	(46,899,383)	
Accrued interest payable	<u>(706,864)</u>	(449,386,347)

Net position of governmental activities - statement of net position (A-1) \$ 93,025,942

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2021

Exhibit C-3
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	\$111,267,773	\$ 41,619,250	\$ 1,491,229	\$ 4,874,205	\$159,252,457
5800	State program revenues	17,597,430	82,644		714,825	18,394,899
5900	Federal program revenues	<u>1,823,382</u>		<u>532,350</u>	<u>14,457,207</u>	<u>16,812,939</u>
5020	Total revenues	<u>130,688,585</u>	<u>41,701,894</u>	<u>2,023,579</u>	<u>20,046,237</u>	<u>194,460,295</u>
	EXPENDITURES:					
	Current:					
0011	Instruction	71,706,190		711,879	5,859,824	78,277,893
0012	Instructional resources and media services	1,667,293		571,506	18,895	2,257,694
0013	Curriculum and instructional staff development	2,930,352			710,835	3,641,187
0021	Instructional leadership	2,987,534			283,607	3,271,141
0023	School leadership	8,526,772			14,950	8,541,722
0031	Guidance, counseling, and evaluation services	5,606,302			740,041	6,346,343
0032	Social work services	286,567			262,056	548,623
0033	Health services	1,631,571			2,068	1,633,639
0034	Student (pupil) transportation	2,399,479		420,284	105,381	2,925,144
0035	Food services			181,017	6,922,771	7,103,788
0036	Cocurricular/extracurricular activities	4,168,023		7,197	829,586	5,004,806
0041	General administration	3,011,220			47,000	3,058,220
0051	Facilities maintenance and operations	13,691,014		394,225	5,155	14,090,394
0052	Security and monitoring services	1,989,855		146,512	290,508	2,426,875
0053	Data processing services	2,296,706		1,716,032	488,585	4,501,323
0061	Community services	10,950			43,036	53,986
	Debt Service:					
0071	Principal		36,385,000			36,385,000
0072	Interest and fees	235,771	15,425,789			15,661,560
0073	Bond issuance costs and fees		919,524			919,524
	Capital Outlay:					
0081	Facilities acquisition and construction			77,523,170		77,523,170
	Intergovernmental:					
0091	Contracted instructional services between public schools	1,557,190				1,557,190
0093	Payments related to shared services arrangements	56,500			11,300	67,800
0095	Payments to juvenile justice alternative education programs	16,400				16,400
0099	Other intergovernmental charges	<u>1,384,786</u>				<u>1,384,786</u>
6030	Total expenditures	<u>126,160,475</u>	<u>52,730,313</u>	<u>81,671,822</u>	<u>16,635,598</u>	<u>277,198,208</u>
1100	Excess (deficiency) of revenues over expenditures	<u>4,528,110</u>	<u>(11,028,419)</u>	<u>(79,648,243)</u>	<u>3,410,639</u>	<u>(82,737,913)</u>

(Continued)

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2021

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	\$	\$ 31,790,000	\$ 96,275,000	\$	\$128,065,000
7912	Sale of real and personal property	329,423				329,423
7915	Transfers in	59,759	3,194,071		259,094	3,512,924
7916	Premium on issuance of general obligation bonds		3,805,166	14,725,000		18,530,166
8911	Transfers out	(3,332,924)			(180,000)	(3,512,924)
8940	Payments to escrow agent		(34,643,965)			(34,643,965)
	Total other financing sources (uses)	(2,943,742)	4,145,272	111,000,000	79,094	112,280,624
1200	Net change in fund balance	1,584,368	(6,883,147)	31,351,757	3,489,733	29,542,711
0100	Fund balance - beginning	<u>71,424,188</u>	<u>14,793,993</u>	<u>145,168,026</u>	<u>2,451,352</u>	<u>233,837,559</u>
3000	Fund balance - ending	<u>\$ 73,008,556</u>	<u>\$ 7,910,846</u>	<u>\$176,519,783</u>	<u>\$ 5,941,085</u>	<u>\$263,380,270</u>

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
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, 2021

Net change in fund balance - total governmental funds (from C-2) \$ 29,542,711

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 statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 82,029,746	
Depreciation expense	(11,338,608)	70,691,138

Governmental funds report the entire sales price (proceeds) from the sale of an asset as revenue because it provides current resources. In contrast, in the statement of activities, only the gain/loss on the sale of capital assets is reported. Thus, the change in net position differs from the change in fund balance by the book value of capital assets sold. (135,000)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect on premiums and similar items when debt is issued, whereas these amounts are amortized in the statement of activities.

Debt issue	\$(128,065,000)	
Premium on debt issue	(18,530,166)	
Principal payments	36,385,000	
Payments to escrow agent	34,643,965	
Accretion on bonds	(40,957)	
Change in accrued interest payable	(156,935)	
Amortization of bond premium	4,499,389	
Amortization of deferred charge on bond refunding	(73,518)	(71,338,222)

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

Net pension liability decreased	\$ 2,974,267	
Deferred outflows decreased	(6,004,141)	
Deferred inflows increased	(915,846)	(3,945,720)

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

Net OPEB liability decreased	\$ 12,162,314	
Deferred outflows decreased	(1,241,127)	
Deferred inflows increased	(9,587,029)	1,334,158

(Continued)

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES - Continued
YEAR ENDED AUGUST 31, 2021*

Because some property tax receivables will not be collected for several months after the District's fiscal year ends, they are not considered available revenues and are deferred inflows in the governmental funds.	\$(83,760)
Internal service funds are used by the District to charge the costs of unemployment insurance and workers' compensation insurance to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities in the statement of activities. The net effect of this consolidation is to increase net position.	<u>(54,292)</u>
Change in net position of governmental activities (see B-1)	<u>\$ 26,011,013</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, 2021

Exhibit D-1

<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Funds (See H-3)</u>
	Assets:	
1110	Cash and cash equivalents	\$ 412,323
1120	Investments	2,088,335
1290	Other receivables (net)	<u>69</u>
1000	Total assets	<u>2,500,727</u>
	Liabilities:	
2165	Accrued liabilities	<u>239,475</u>
2000	Total liabilities	<u>239,475</u>
	Net Position	
3900	Unrestricted net position	<u>2,261,252</u>
3000	Total net position	<u>\$ 2,261,252</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, 2021

Exhibit D-2

	Governmental Activities Internal Service Funds (See H-4)
Operating Revenues:	
Charges for services	\$ <u>970,773</u>
Total operating revenues	<u>970,773</u>
Operating Expenses:	
Insurance claims and expenses	<u>1,029,624</u>
Total operating expenses	<u>1,029,624</u>
Operating loss	(<u>58,851</u>)
Nonoperating Revenues:	
Investment earnings	<u>4,559</u>
Total nonoperating revenues	<u>4,559</u>
Change in net position	(<u>54,292</u>)
Net position - beginning	<u>2,315,544</u>
Net position - ending	\$ <u><u>2,261,252</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, 2021

Exhibit D-3

	Governmental Activities Internal Service Funds (See H-5)
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 970,790
Payments to suppliers	(5,274)
Claims paid	<u>(1,004,041)</u>
Net cash used by operating activities	<u>(38,525)</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	(4,085,977)
Sale of investments	4,349,000
Investment earnings	<u>152</u>
Net cash provided by investing activities	<u>263,175</u>
Change in cash and cash equivalents	224,650
Cash and cash equivalents - beginning	<u>187,673</u>
Cash and cash equivalents - ending	<u>\$ 412,323</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	\$(58,851)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Other receivables	17
Accrued liabilities	<u>20,309</u>
Net cash used by operating activities	<u>\$(38,525)</u>
NONCASH INVESTING ACTIVITIES:	
Increase in fair value of investments	<u>\$ 4,407</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, 2021

Exhibit E-1

	Private- Purpose Trusts	Custodial Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 16,392	\$ 294,619
Prepaid items		<u>3,031</u>
Total assets	<u>16,392</u>	<u>297,650</u>
Liabilities:		
Accounts payable		<u>38,707</u>
Total liabilities	<u>-0-</u>	<u>38,707</u>
Net Position:		
Restricted for:		
Held in trust for other purposes	16,392	
Students and other activities		<u>258,943</u>
Total net position	<u>\$ 16,392</u>	<u>\$ 258,943</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, 2021

Exhibit E-2

	<u>Private- Purpose Trust Funds</u>	<u>Custodial Funds</u>
ADDITIONS		
Contributions:		
Revenues from student activities	\$	\$ 233,669
Revenues from staff activities		19,077
Revenues from department activities		<u>5,885</u>
Total contributions	<u>-0-</u>	<u>258,631</u>
Investment earnings	<u>4</u>	
Total additions	<u>4</u>	<u>258,631</u>
DEDUCTIONS		
Payments for student activities		302,565
Payments for staff activities		15,312
Payments for department activities		<u>3,638</u>
Total deductions		<u>321,515</u>
Change in net position	4	(62,884)
Net position - beginning	16,388	
Prior period adjustment		<u>321,827</u>
Net position - ending	<u>\$ 16,392</u>	<u>\$ 258,943</u>

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

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BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2021

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, 2021

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, 2021

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, 2021, liabilities totaled \$ 43,340 and net position of the dental insurance plan was \$ 214,913.

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, 2021, undiscounted liabilities totaled \$ 196,135 and net position of the worker's compensation program was \$ 2,089,679.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

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 *custodial 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, 2021

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, 2020, upon which the levy for the 2020-21 fiscal year was based, was \$ 9,732,175,392. 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, 2021, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 0.9664 and \$ 0.2153 per \$ 100 valuation, respectively, for a total of \$ 1.1817 per \$ 100 valuation.

Current tax collections for the year ended August 31, 2021 were 99.55% 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, 2021, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 690,987 and \$ 151,990 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, 2021

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, 2021

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, 2021

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, 2020. 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, 2021, the District has encumbrances outstanding in the general fund of \$ 28,225.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2021

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, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Equity - Continued

As of August 31, 2021, nonspendable fund balances include \$ 335,895 for inventories and \$ 1,640,914 for prepaid items in the general fund, and \$ 9,876 for inventories in the national school breakfast and lunch program. Restricted fund balances include \$ 515,000 for debt service in the general fund, \$ 7,910,846 for the debt service fund, \$ 176,519,783 for the capital projects fund, \$ 710,044 for the national school breakfast and lunch program, and \$ 5,221,165 for Campus Activity Funds, BISS Education Foundation, CTE major giving, 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 \$ 54,716,747 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. 84 "Fiduciary Activities" was issued in January 2017. The statement was implemented and did have a material effect on the financial statement of the District. The requirements of this Statement are effective for periods beginning after December 15, 2019.

GASB No. 87 "Leases" was issued in June 2017. The management of the District does 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.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Pronouncements - Continued

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 statement was implemented and did not have a material effect on the financial statement 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 statement was implemented and did not 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, 2020.

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, 2021

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 AND INVESTMENTS

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, 2021 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) \$	5,111	\$	\$ 1,000	\$ 6,111
Financial Institution Deposits:				
Demand deposits	9,597,090	407,575	298,288	10,302,953
Broker-Dealer:				
Demand deposits	52,853	4,748		57,601
Public Funds Investment Pool:				
Lone Star	194,099,728		11,723	194,111,451
Texas Term	25,930,269			25,930,269
Texas Fixed Income Trust	<u>50,316,147</u>			<u>50,316,147</u>
	<u>\$ 280,001,198</u>	<u>\$ 412,323</u>	<u>\$ 311,011</u>	<u>\$ 280,724,532</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2021

NOTE 2. DEPOSITS AND INVESTMENTS - 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, 2021, in addition to petty cash of \$ 6,111, the carrying amount of the District's cash, savings, and time deposits was \$ 10,360,554. The financial institutions balances were \$ 10,775,048 at August 31, 2021. Financial institution balances of \$ 462,9981 were covered by federal depository insurance, \$ 54,752 were covered by securities investors protection corporations, and \$ 10,257,315 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 \$ 19,027,925.
- c. Largest cash, savings and time deposit combined account balance amounted to \$ 19,277,925 and occurred on March 9, 2021.
- 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, 2021

NOTE 2. DEPOSITS AND INVESTMENTS - 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 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.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2021

NOTE 2. DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

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, 2021, the Government Overnight Fund had a weighted average maturity of 45 days, the Corporate Overnight Fund had a weighted average maturity of 52 days, the Corporate Overnight Plus Fund had a weighted average maturity of 75 days, Texas Term had a weighted average maturity of 53 days, and Texas Fixed Income Trust had a weighted average maturity of 54 days. Although these five funds had weighted average maturities of 45, 52, 75, 53 and 54 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.

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.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 2. DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

The following table includes the portfolio balances of all investment types of the District at August 31, 2021:

	<u>Fair Value</u>	<u>Weighted Average Maturity (In Days)</u>
Local Government Investment Pool:		
Lone Star Investment Pool:		
Government Overnight Fund	\$ 5,294,543	45
Corporate Overnight Fund	214,640	52
Corporate Overnight Plus Fund	188,602,268	75
Texas Term	25,930,269	53
Texas Fixed Income Trust	<u>50,316,147</u>	54
Total local government investment pool	270,357,867	68
Certificates of deposit	<u>4,036,773</u>	183
	4,036,773	70
Repurchase agreement	<u>1,123,721</u>	
Total investments	<u>\$ 275,518,361</u>	

Credit Risk - As of August 31, 2021, 98.13% of the investment portfolio was invested in AAAM rated funds in the LGIP (2(a)7 like pools), 1.47% are invested in commercial paper that are rated as A-1 and 0.40% are invested in mutual funds that have ratings to the equivalent of at least A.

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, 2021

NOTE 2. DEPOSITS AND INVESTMENTS - 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 following table sets forth by level, within the fair value hierarchy, the District's assets at fair value as of August 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Commercial paper	\$	\$ 4,036,773	\$	\$ 4,036,773
Mutual funds	<u> </u>	<u>1,123,721</u>	<u> </u>	<u>1,123,721</u>
Total assets at fair value	<u>\$ -0-</u>	<u>\$ 5,160,494</u>	<u>\$ -0-</u>	<u>\$ 5,160,494</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

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

Receivables and Allowances

Receivables as of August 31, 2021, 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	\$ 1,305,520	\$ 274,457	\$	\$ 1,579,977
Receivables from other governments	115,197		2,649,761	2,764,958
Other receivables	<u>87,338</u>		<u>8,838</u>	<u>96,176</u>
Gross receivables	1,508,055	274,457	2,658,599	4,441,111
Less: allowance for Uncollectibles	<u>614,533</u>	<u>122,467</u>		<u>737,000</u>
Net receivables	<u>\$ 893,522</u>	<u>\$ 151,990</u>	<u>\$ 2,658,599</u>	<u>\$ 3,704,111</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, 2021 are summarized below.

<u>Fund</u>	<u>Federal Grants</u>	<u>State Grants and Other</u>	<u>Total</u>
Major Governmental Funds:			
General fund	\$ 114,935	\$ 262	\$ 115,197
Other funds	<u>2,588,706</u>	<u>61,055</u>	<u>2,649,761</u>
Total	<u>\$ 2,703,641</u>	<u>\$ 61,317</u>	<u>\$ 2,764,958</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2021

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, 2021, the District was determined to be subject to Chapter 41 under the Texas Education Code (TEC). During the year ended August 31, 2021, the District was required to pay \$ 1,509,215 to the state and at August 31, 2021, the District had paid the state \$ -0-. The underpayment amount of \$ 1,509,215 is recorded as a payable to other governments. The amount incurred as Chapter 41 costs of \$ 1,557,190 (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 2021-2022 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, 2021, 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)	\$ 518,482	\$
Delinquent property taxes receivable (debt service fund)	114,617	
Federal food commodities		4,637
State entitlements		2,510,890
Advance funding	<u> </u>	<u>16,410</u>
Totals:	<u>\$ 633,099</u>	<u>\$ 2,531,937</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, 2021 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, 2021

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, 2021, 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	\$ 15,756,165	\$ 8,655,142	\$
Pension contributions subsequent to the measurement date	3,539,648		
TRS OPEB deferred inflows and outflows of resources	7,313,909	33,081,838	
OPEB contributions subsequent to the measurement date	835,775		
Bond refunding costs	208,623		
Federal food commodities			4,637
State entitlements			2,510,890
Advance funding			<u>16,410</u>
Totals	<u>\$27,654,120</u>	<u>\$41,736,980</u>	<u>\$ 2,531,937</u>

NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Receivables and Payables

Interfund balances at August 31, 2021 consisted of the following individual fund receivables and payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>08-31-21</u>
General Fund	Capital Projects Fund	\$ 1,273
General Fund	Other Governmental Funds	4,548,673
Debt Service Fund	General Fund	22,824
Capital Projects Fund	General Fund	84,920
Other Governmental Funds	General Fund	<u>2,677,704</u>
		<u>\$ 7,335,394</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - Continued

Interfund Transfers

Interfund transfers for the year ended August 31, 2021 were as follows:

<u>Transferring Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>
General Fund	Debt Service Fund	\$ 3,194,071
General Fund	Other Governmental Funds	138,853
Other Governmental Funds	General Fund	59,759
Other Governmental Funds	Other Governmental Funds	<u>120,241</u>
		<u>\$ 3,512,924</u>

The transfer from the General Fund to the Debt Service Fund was made for the Chapter 313 tax credit reimbursement from the Texas Education Agency. The transfer from the General Fund to the National School Breakfast and Lunch Program was made to cover expenditures that was potentially going to create a deficit fund balance. The transfer from the BISD Education Foundation to the General Fund and Other Governmental Funds is to cover allocated administrative costs from the BISD Education Foundation to the District.

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, 2021:

	<u>September 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers & Adjustments</u>	<u>August 31, 2021</u>
Non-Depreciated Capital Assets:					
Land	\$ 2,681,923	\$	\$ 135,000	\$	\$ 2,546,923
Construction in progress	<u>88,746,696</u>	<u>77,442,718</u>	<u></u>	<u>(44,929,645)</u>	<u>121,259,769</u>
Total non-depreciated	<u>91,428,619</u>	<u>77,442,718</u>	<u>135,000</u>	<u>(44,929,645)</u>	<u>123,806,692</u>
Depreciated Capital Assets:					
Buildings and improvements	296,176,288	1,606,534	<u></u>	44,929,645	342,712,467
Furniture, equipment and vehicles	<u>26,983,798</u>	<u>2,980,494</u>	<u>257,416</u>	<u></u>	<u>29,706,876</u>
Total depreciated	<u>323,160,086</u>	<u>4,587,028</u>	<u>257,416</u>	<u>44,929,645</u>	<u>372,419,343</u>
Total additions/transfers and retirements		<u>\$ 82,029,746</u>	<u>\$ 392,416</u>	<u>\$ -0-</u>	
Accumulated Depreciation:					
Buildings and improvements	93,890,173	\$ 9,059,436	\$	\$	\$ 102,949,609
Furniture, equipment and vehicles	<u>14,364,923</u>	<u>2,279,172</u>	<u>257,416</u>	<u></u>	<u>16,386,679</u>
Total accumulated depreciation	<u>108,255,096</u>	<u>\$ 11,338,608</u>	<u>\$ 257,416</u>	<u>\$ -0-</u>	<u>119,336,288</u>
Net depreciated assets	<u>214,904,990</u>				<u>253,083,055</u>
Net capital assets	<u>\$ 306,333,609</u>				<u>\$ 376,889,747</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED AUGUST 31, 2021

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	\$ 5,874,532
0012	Instructional resources and media services	532,915
0013	Curriculum and instructional staff development	27,213
0021	Instructional leadership	71,433
0023	School leadership	444,473
0031	Guidance, counseling, and evaluation services	85,040
0033	Health services	44,221
0034	Student (pupil) transportation	1,284,664
0035	Food services	782,364
0036	Cocurricular/extracurricular activities	1,489,893
0041	General administration	64,630
0051	Facilities maintenance and operations	610,017
0053	Data processing services	<u>27,213</u>
	Total depreciation expense	<u>\$ 11,338,608</u>

Governmental Fund Construction Commitments

At August 31, 2021, the District had the following construction commitments:

<u>Project</u>	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Commitment</u>
New Campus: Brazoswood High School	\$ 83,277,102	\$ 53,811,618	\$ 29,465,484
New Campus: Brazoswood CTE Center	25,368,637	23,649,149	1,719,488
Brazoswood: Phase 4 Projects	8,425,668	2,767,728	5,657,940
2019 Bond: Summer 2021 Package	<u>6,182,321</u>	<u>3,962,825</u>	<u>2,219,496</u>
	<u>\$ 123,253,729</u>	<u>\$ 84,191,320</u>	<u>\$ 39,062,408</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED AUGUST 31, 2021

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, 2021.

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, 2021:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>% Rates</u>	<u>Outstanding Balance</u>
2013	\$ 9,415,000	2023	3.00	\$ 915,000
2015	54,785,000	2035	2.00-5.00	34,415,000
2016	6,180,000	2022	2.00-4.00	425,000
2017	34,465,000	2042	3.00-5.00	31,825,000
2017	45,915,000	2037	3.00-5.00	40,105,000
2018	42,320,000	2034	3.00-5.00	33,315,000
2019	138,750,000	2042	2.13-5.00	135,500,000
2020	102,070,000	2035	2.00-5.00	94,590,000
2021	<u>25,995,000</u>	2025	5.00	<u>25,995,000</u>
Total	\$ <u>459,895,000</u>			\$ <u>397,085,000</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	\$ 25,640,000	\$ 15,403,188	\$ 41,043,188
2022	25,430,000	14,138,837	39,568,837
2023	23,315,000	12,924,763	36,239,763
2024	23,270,000	11,760,137	35,030,137
2025	23,630,000	10,587,638	34,217,638
2026-2030	119,025,000	35,923,869	154,948,869
2031-2035	101,300,000	14,762,225	116,062,225
2036-2040	46,055,000	4,925,831	50,980,831
2041-2042	<u>9,420,000</u>	<u>146,600</u>	<u>9,566,600</u>
Totals	\$ <u>397,085,000</u>	\$ <u>120,573,088</u>	\$ <u>517,658,088</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2021

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, 2021 was \$ 401,939. This bond matured during the year ended August 31, 2021.

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, 2021.

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, 2021

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, 2021:

<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>
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		110,240	110,240
2027-2029	<u>2,120,000</u>	<u>330,720</u>	<u>2,450,720</u>
	\$ <u>4,695,000</u>	\$ <u>1,384,044</u>	\$ <u>6,079,044</u>

Current requirements for interest expenditures accounted for in the General Fund were \$ 235,771.

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>
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	110,240	92,712	530,000
2027-2029	<u>330,720</u>	<u>278,136</u>	<u>1,590,000</u>
Totals	\$ <u>1,384,044</u>	\$ <u>1,163,984</u>	\$ <u>4,180,000</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

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, 2021, was as follows:

	<u>Balance</u> <u>09-01-20</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>08-31-21</u>	<u>Due Within</u> <u>One Year</u>
Long-Term Debt:					
General obligation bonds	\$ 339,784,043	\$ 128,105,957	\$ 70,805,000	\$ 397,085,000	\$ 25,640,000
Tax Notes	4,695,000			4,695,000	-0-
Net pension liability	47,496,966	4,239,089	7,213,356	44,522,699	-0-
Net OPEB liability	54,308,834	2,101,728	14,264,042	42,146,520	-0-
Premium on bonds	<u>32,868,606</u>	<u>18,530,166</u>	<u>4,499,389</u>	<u>46,899,383</u>	<u>3,561,043</u>
Totals	<u>\$ 479,153,449</u>	<u>\$ 152,976,940</u>	<u>\$ 96,781,787</u>	<u>\$ 535,348,602</u>	<u>\$ 29,201,043</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-supported educational 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 Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/Pages/aboutpublication.aspx> ; 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, 2021

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. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

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 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent 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>2020</u>	<u>2021</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%
Employer # 1398 - 2021 Employer Contributions	\$	3,539,648
Employer # 1398 - 2021 Member Contributions	\$	7,522,713
Employer # 1398 - 2021 NECE On-behalf Contributions	\$	5,132,720
Employer # 1398 - 2021 Medicare Part D Contributions	\$	430,409

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2021

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 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees.

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

- All public schools, charter schools, and regional educational service centers must contribute 1.5 percent of the member's salary beginning fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025.
- 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.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2021

NOTE 7. DEFINED BENEFIT PENSION PLANS - Continued

Actuarial Assumptions

The total pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
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 2020	2.33%
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, 2019. For a full description of these assumptions please see the actuarial valuation report dated November 14, 2019.

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 System's target asset allocation as of August 31, 2020 are summarized below:

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2021

NOTE 7. DEFINED BENEFIT PENSION PLANS - Continued

Asset Class	Target Allocation*	Long-Term Expected Arithmetic Real Rate of Return**	Expected Contribution to Long-Term Portfolio Returns
Global Equity:			
U.S.	18%	3.90%	0.99%
Non-U.S. Developed	13%	5.10%	0.92%
Emerging Markets	9%	5.60%	0.83%
Private Equity	14%	6.70%	1.41%
Stable Value:			
Government Bonds	16%	-0.70%	-0.05%
Stable Value Hedge Funds	5%	1.90%	0.11%
Real Return:			
Real Estate	15%	4.60%	1.02%
Energy, Natural Resources and Infrastructure	6%	6%	0.42%
Risk Parity:			
Risk Parity	8%	3%	0.30%
Leverage:			
Cash	2%	-1.50%	-0.03%
Asset Allocation Leverage	-6%	-1.30%	0.08%
Inflation Expectation			2.00%
Volatility Drag***			-0.67%
Total	100%		7.33%

* Target allocations are based on the FY2020 policy model.

** Capital Market Assumptions come from Aon Hewitt (as of 8/31/2020).

*** The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using the discount rate of 7.25 percent, and what the net position liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

	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	\$ <u>68,653,206</u>	\$ <u>44,522,699</u>	\$ <u>24,917,192</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2021

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, 2021, the District reported a liability of \$ 44,522,699 for its proportionate share of the TRS 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	\$ 44,522,699
State's proportionate share that is associated with the District	<u>64,887,966</u>
Total	<u>\$ 109,410,665</u>

The net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 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, 2019 thru August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.0831299% which was an decrease of 0.0082400% from its proportion measured as of August 31, 2019.

Changes since the prior Actuarial Valuation

There were no changes in assumptions since the prior measurement date.

For the year ended August 31, 2021, the District recognized pension expense of \$ 4,070,911 and revenue of \$ 5,132,720 for support provided by the State.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED AUGUST 31, 2021

NOTE 7. DEFINED BENEFIT PENSION PLANS - Continued

At August 31, 2021, the District reported its proportionate share of TRS 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	\$ 81,295	\$ 1,242,510
Changes in actuarial assumptions	10,330,850	4,392,606
Net difference between projected and actual investment earnings	901,324	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	4,442,696	3,020,026
Contributions paid to TRS subsequent to the measurement date	<u>3,539,648</u>	<u> </u>
Total	<u>\$ 19,295,813</u>	<u>\$ 8,655,142</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>
2022	\$ 2,243,760
2023	2,708,835
2024	2,447,765
2025	720,129
2026	(839,687)
Thereafter	(179,779)

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 with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. 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. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2021

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

OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in a separately issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.state.gov/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS-Care provides health insurance coverage to retirees from public and 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. 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 0.65 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 or charter school. 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, 2021

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

Contributions - Continued

	<u>Contribution Rates</u>	<u>2020</u>
Active Employee		0.65%
Non-Employer Contributing Entity (State)		1.25%
Employers		0.75%
Federal/private Funding remitted by Employers		1.25%
Employer # 1398 - 2021 Employer Contributions	\$	835,775
Employer # 1398 - 2021 Member Contributions	\$	635,035
Employer # 1398 - 2021 NECE On-behalf Contributions	\$	488,484

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether 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 \$ 230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2020.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All 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 following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2019 TRS pension actuarial valuation that was rolled forward to August 31, 2020:

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

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives 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).

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2021

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.33% as of August 31, 2020
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	4.25% to 9.00%
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65, 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Ad hoc post-employment benefit changes	None

Discount Rate

A single discount rate of 2.33 percent was used to measure the Total OPEB Liability. There was a decrease of .30 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 used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2020 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District’s proportionate share of the Net OPEB Liability	\$ <u>50,575,728</u>	\$ <u>42,146,520</u>	\$ <u>35,488,656</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2021

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, 2021, the District reported a liability of \$ 42,146,520 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the Net OPEB Liability that was associated with the District were as follows:

District's Proportionate share of the collective Net OPEB Liability	\$ 42,146,520
State's proportionate share that is associated with the District	<u>56,634,821</u>
Total	<u>\$ 98,781,341</u>

The Net OPEB Liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 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, 2019 thru August 31, 2020.

At August 31, 2020, the employer's proportion of the collective Net OPEB Liability was 0.110870%, compared to 0.114839% 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 health trend rates assumed.

	<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>\$ 34,428,307</u>	<u>\$ 42,146,520</u>	<u>\$ 52,426,089</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 2.63 percent as of August 31, 2019 to 2.33 percent as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability.
- The ultimate health care trend rate assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

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

The amount of OPEB expense recognized by the District in the reporting period was \$ 2,026,994.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2021***NOTE 8. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - Continued**

At August 31, 2021, 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	\$ 2,206,775	\$ 19,288,403
Changes in actuarial assumptions	2,599,564	11,573,652
Net difference between projected and actual investment earnings	13,696	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,493,874	2,219,783
Contributions paid to TRS subsequent to the measurement date	<u>835,775</u>	<u> </u>
Total	<u>\$ 8,149,684</u>	<u>\$ 33,081,838</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>
2022	\$ (4,244,443)
2023	(4,246,274)
2024	(4,247,321)
2025	(4,247,035)
2026	(3,121,283)
Thereafter	(5,661,573)

For the year ended August 31, 2021, the District recognized OPEB expense of \$ 2,026,994 and revenue of \$ 488,484 for support provided by the State.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2021

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)	---	\$ 1,091,838
Build America Bonds	---	222,937
ROTC	12.000	69,035
Coronavirus Relief Fund	21.019	17,402
Medicaid Administrative Claiming Program (MAC)	93.778	55,956
Indirect Costs:		
Title I Grants to Local Education Agencies	84.010A	105,579
Special Education - Grants to States (IDEA, Part B)	84.027A	74,573
Special Education - Preschool Grants (IDEA, Preschool)	84.173A	2,173
Career/Technical Education - Basic Grants to States (Perkins V)	84.048A	5,829
English Language Acquisition State Grants	84.365A	4,710
Supporting Effective Instruction State Grants	84.367A	12,217
School Improvement Grants	84.377A	1,614
Student Support and Academic Enrichment Program	84.424A	7,574
Elementary and Secondary School Emergency Relief Fund	84.425D	<u>151,945</u>
		<u>\$ 1,823,382</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	\$ 91,492,941	\$ 41,386,174	\$	\$	\$132,879,115
Food sales				485,259	485,259
Investment income	104,496	119,623	247,349	58,290	529,758
Penalties, interest and other tax related income	578,223	113,453			691,676
Co-curricular income	126,019				126,019
Other tuition and fees from patrons	54,707				54,707
Enterprise activities	4,060			826,997	831,057
Grants and contributions			1,243,880	3,503,148	4,747,028
Other	<u>18,907,327</u>			<u>511</u>	<u>18,907,838</u>
Totals	<u>\$111,267,773</u>	<u>\$ 41,619,250</u>	<u>\$ 1,491,229</u>	<u>\$ 4,874,205</u>	<u>\$159,252,457</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

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 2021, 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 \$ 43,340 as of August 31, 2021.

The dental plan is funded through the employee flex spending program. During the year ended August 31, 2021, the Plan received \$ 651,978 in employee contributions, of which \$ -0- were forfeitures.

The accrued liability for the Dental Plan self-insurance of \$ 43,340 includes estimated incurred but not reported claims. This liability reported in the fund at August 31, 2021, 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 2019-2020 and 2020-2021 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>
2019-2020 Dental Plan	\$ 40,598	\$ 734,754	\$ 734,094	\$ 41,258
2020-2021 Dental Plan	\$ 41,258	\$ 753,076	\$ 750,994	\$ 43,340

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2021

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 \$ 196,135 as of August 31, 2021.

The District has maintained a self-insured retention of \$ 325,000 per occurrence during the year ended August 31, 2021. 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 \$ 196,135 includes estimated incurred but not reported claims. This liability reported in the fund at August 31, 2021, 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>
2012-13	77
2013-14	85
2014-15	92
2015-16	93
2016-17	75
2017-18	72
2018-19	68
2019-20	75
2020-21	73
9 Yr. Average	79

Changes in the workers' compensation claims liability amounts in fiscal 2019-2020 and 2020-2021 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>
2019-2020 Workers' Compensation	\$ 145,614	\$ 332,534	\$ 300,240	\$ 177,908
2020-2021 Workers' Compensation	\$ 177,908	\$ 271,274	\$ 253,047	\$ 196,135

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 13. UNEMPLOYMENT COMPENSATION POOL

During the year ended August 31, 2021, 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, 2020 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, 2021 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	\$	16,400
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BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

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	\$	67,800
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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, 2021:

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, 2021

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 Agrosiences, 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 Agrosiences Frontline 2, 4-D herbicide. In addition to the tax abatement, Dow Agrosiences, 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.

The District entered in an agreement with Freeport LNG on February 19, 2013. The project scope was to design and construct a Train 2 natural gas liquefaction infrastructure at an existing terminal to prove capacity of approximately 4.4 million metric tons per annum (mtpa) of LNG 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. 246.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 16. TAX ABATEMENTS - Continued

The District entered in an agreement with Dow Chemical on April 3, 2012. The project scope was to design and construct a world scale Ethylene Cracker, a propylene dehydrogenation plant, solutions polyethylene and low density polyethylene facility. In addition to the tax abatement, Dow Chemical has committed to the payment in lieu of taxes program. The agreement and all supporting documentation was assigned Texas Comptroller Application No. 215.

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	\$ 677,696,220	\$ 30,000,000	\$ 289,920	\$ 6,259,336	\$ -	\$ 713,384	\$ 1,003,304
213	56,234,310	30,000,000	289,920	253,528	619	26,405	316,944
237	77,900,090	30,000,000	289,920	462,906	7,164	45,574	342,658
1007	351,296,980	30,000,000	289,920	3,105,014	917,935	218,708	1,426,563
216	147,750,000	30,000,000	289,920	1,137,936	-	113,794	403,714
214	817,868,040	30,000,000	289,920	7,613,957	81,683	1,685,861	2,057,464
244	2,342,335,900	30,000,000	289,920	22,346,414	5,949,730	1,050,000	7,289,650
1144	99,360,000	80,000,000	773,120	187,095	-	18,710	791,830
246	899,526,620	30,000,000	289,920	8,403,105	-	840,311	1,130,231
215	<u>2,212,052,930</u>	<u>30,000,000</u>	<u>289,920</u>	<u>21,087,360</u>	<u>-</u>	<u>4,682,432</u>	<u>4,972,352</u>
	\$ <u>7,682,021,090</u>	\$ <u>350,000,000</u>	\$ <u>3,382,400</u>	\$ <u>70,856,651</u>	\$ <u>6,957,131</u>	\$ <u>9,395,179</u>	\$ <u>19,734,710</u>

NOTE 17. PRIOR PERIOD ADJUSTMENT

During the current fiscal year, the District implemented GASB Statement No. 84, *Fiduciary Activities*. As a result, the beginning net position of the District's custodial funds has been restated as follows:

	Custodial Fund
Beginning net position, as originally presented	\$
Reclassification of groups moved from an agency fund to a custodial fund	<u>321,827</u>
Beginning net position, as restated	\$ <u>321,827</u>

NOTE 18. SUBSEQUENT EVENT

The District has evaluated subsequent events through December 9, 2021, the date which the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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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, 2021**

Data Control Codes	Budgeted Amounts			Actual	Variance with Final Budget Positive (Negative)
	Original	Final			
REVENUES:					
5700	Local and intermediate sources	\$ 129,389,658	\$ 111,751,652	\$ 111,267,773	\$(483,879)
5800	State program revenues	9,707,503	14,833,159	17,597,430	2,764,271
5900	Federal program revenues	<u>1,600,772</u>	<u>1,600,772</u>	<u>1,823,382</u>	<u>222,610</u>
5020	Total revenues	<u>140,697,933</u>	<u>128,185,583</u>	<u>130,688,585</u>	<u>2,503,002</u>
EXPENDITURES:					
Current:					
0011	Instruction	73,423,488	74,039,296	71,706,190	2,333,106
0012	Instructional resources and media services	1,789,742	1,814,742	1,667,293	147,449
0013	Curriculum and instructional staff development	3,306,341	3,433,860	2,930,352	503,508
0021	Instructional leadership	3,125,074	3,185,074	2,987,534	197,540
0023	School leadership	8,747,527	8,902,452	8,526,772	375,680
0031	Guidance, counseling, and evaluation services	5,813,712	5,893,712	5,606,302	287,410
0032	Social work services	440,766	440,766	286,567	154,199
0033	Health services	1,532,975	1,712,975	1,631,571	81,404
0034	Student (pupil) transportation	2,785,635	2,830,635	2,399,479	431,156
0036	Cocurricular/extracurricular activities	4,438,068	4,528,068	4,168,023	360,045
0041	General administration	3,041,521	3,081,521	3,011,220	70,301
0051	Facilities maintenance and operations	13,237,325	13,713,894	13,691,014	22,880
0052	Security and monitoring services	2,135,709	2,176,844	1,989,855	186,989
0053	Data processing services	2,452,166	2,487,166	2,296,706	190,460
0061	Community services	11,500	11,500	10,950	550
Debt Service:					
0072	interest and fees	750,772	750,772	235,771	515,001
Intergovernmental:					
0091	Contracted instructional services between public schools	16,863,591	3,798,731	1,557,190	2,241,541
0093	Payments related to shared services arrangements	67,800	67,800	56,500	11,300
0095	Payments to juvenile justice alternative education programs	52,000	52,000	16,400	35,600
0099	Other intergovernmental charges	<u>1,306,546</u>	<u>1,397,060</u>	<u>1,384,786</u>	<u>12,274</u>
6030	Total expenditures	<u>145,322,258</u>	<u>134,318,868</u>	<u>126,160,475</u>	<u>8,158,393</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(4,624,325)</u>	<u>(6,133,285)</u>	<u>4,528,110</u>	<u>10,661,395</u>
OTHER FINANCING SOURCES (USES):					
7912	Sale of real or personal property			329,423	329,423
7915	Transfers in			59,759	59,759
8911	Transfers out			<u>(3,332,924)</u>	<u>(3,332,924)</u>
	Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>(2,943,742)</u>	<u>(2,943,742)</u>
1200	Net change in fund balance	<u>(4,624,325)</u>	<u>(6,133,285)</u>	<u>1,584,368</u>	<u>7,717,653</u>
0100	Fund balance - beginning	<u>71,424,188</u>	<u>71,424,188</u>	<u>71,424,188</u>	<u>-0-</u>
3000	Fund balance - ending	<u>\$ 66,799,863</u>	<u>\$ 65,290,903</u>	<u>\$ 73,008,556</u>	<u>\$ 7,717,653</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>35,318,121</u>	<u>42,050,697</u>	<u>45,166,297</u>	<u>38,694,184</u>
Total	<u>\$ 48,739,149</u>	<u>\$ 68,987,726</u>	<u>\$ 73,778,259</u>	<u>\$ 64,347,102</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>	<u>2020</u>
0.0838298%	0.0913700%	0.0831299%
\$ 46,141,942	\$ 47,496,966	\$ 44,522,699
<u>64,121,276</u>	<u>58,208,018</u>	<u>64,887,966</u>
<u>\$ 110,263,218</u>	<u>\$ 105,704,984</u>	<u>\$ 109,410,665</u>
\$ 85,275,018	\$ 90,879,588	\$ 96,865,034
54.11%	52.26%	45.96%
73.74%	75.24%	75.54%

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>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</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>	<u>2021</u>
\$ 3,035,004	\$ 3,428,056	\$ 3,539,648
<u>3,035,004</u>	<u>3,428,056</u>	<u>3,539,648</u>
\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
\$ 90,879,588	\$ 96,865,034	\$ 97,697,610
3.34%	3.54%	3.62%

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
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)

Exhibit G-4

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
District's proportion of the net OPEB liability	0.109459%	0.110994%	0.114839%	0.110870%
District's proportionate share of the net OPEB liability	\$ 47,599,482	\$ 55,420,468	\$ 54,308,834	\$ 42,146,520
State's proportionate share of the net OPEB liability associated with the District	<u>64,007,995</u>	<u>72,906,707</u>	<u>72,164,295</u>	<u>56,634,821</u>
Total	<u>\$ 111,607,477</u>	<u>\$ 128,327,172</u>	<u>\$ 126,473,129</u>	<u>\$ 98,781,341</u>
District's covered payroll	\$ 82,198,510	\$ 85,275,018	\$ 90,879,588	\$ 96,865,034
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	57.91%	64.99%	59.76%	43.51%
Plan fiduciary net position as a percentage of total OPEB liability	0.91%	1.57%	2.66%	4.99%

(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>	<u>2021</u>
Contractually required contributions	\$ 569,077	\$ 589,847	\$ 841,000	\$ 835,775
Contributions in relation to the contractually required contribution	<u>569,077</u>	<u>589,847</u>	<u>841,000</u>	<u>835,775</u>
Contribution deficiency (excess)	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
District's covered payroll	\$ 85,275,018	\$ 90,879,588	\$ 96,865,034	\$ 97,697,610
Contributions as a percentage of covered payroll	0.67%	0.65%	0.87%	0.86%

(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.

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OTHER SUPPLEMENTARY INFORMATION

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2021

Data Control Codes		211	224	225	226	Special
		ESEA Title I Part A Improving Basic Programs	IDEA Part B Formula	IDEA Part B Preschool	IDEA Part B Discretionary	240 National School Breakfast and Lunch Program
ASSETS:						
1110	Cash and cash equivalents	\$	\$	\$	\$ 68,768	\$ 3,611,487
1120	Current investments					
1240	Receivables from other governments	885,096	543,407	15,872		457,792
1260	Due from other funds		3,218			136,387
1290	Other receivables					8,838
1300	Inventories					9,876
1000	Total assets	<u>\$ 885,096</u>	<u>\$ 546,625</u>	<u>\$ 15,872</u>	<u>\$ 68,768</u>	<u>\$ 4,224,380</u>
LIABILITIES AND FUND BALANCE:						
Liabilities:						
2110	Accounts payable	\$ 8,497	\$ 650	\$	\$	\$ 317,767
2160	Accrued wages payable	179,229	193,426	5,273		173,104
2170	Due to other funds	697,370	352,549	10,599	68,768	3,008,952
2300	Unearned revenue					4,637
2000	Total liabilities	<u>885,096</u>	<u>546,625</u>	<u>15,872</u>	<u>68,768</u>	<u>3,504,460</u>
Fund Balance:						
Nonspendable:						
3410	Inventories					9,876
Restricted:						
3450	Grant Funds					710,044
3490	Other					
3000	Total fund balance	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>719,920</u>
4000	Total liabilities and fund balance	<u>\$ 885,096</u>	<u>\$ 546,625</u>	<u>\$ 15,872</u>	<u>\$ 68,768</u>	<u>\$ 4,224,380</u>

Revenue Funds

244	255	263	266	276	277	282	289
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	Title I School Improvement Program Academy Grant	Coronavirus Relief Fund CARES Act	ESSER III Grant	Federally Funded Special Revenue Funds
\$	\$	\$	\$	\$	\$	\$	\$
21,266	93,855	61,674 74	11,282 1,470			452,505 36,555	45,957
<u>\$ 21,266</u>	<u>\$ 93,855</u>	<u>\$ 61,748</u>	<u>\$ 12,752</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 489,060</u>	<u>\$ 45,957</u>
\$	\$	\$	\$	\$	\$	\$	\$
3,523 17,743	18,835 75,020	6,630 1,621 53,497	1,239 11,513			995 317,003 171,062	19,975 5,385 20,597
<u>21,266</u>	<u>93,855</u>	<u>61,748</u>	<u>12,752</u>	<u>-0-</u>	<u>-0-</u>	<u>489,060</u>	<u>45,957</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>\$ 21,266</u>	<u>\$ 93,855</u>	<u>\$ 61,748</u>	<u>\$ 12,752</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 489,060</u>	<u>\$ 45,957</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2021

Data Control Codes		Special				
		385	397	410	427	429
		State Supplemental Visually Impaired (SSVI)	Advanced Placement Incentives	State Instructional Materials Fund	Criminal Justice Planning Grant	State Funded Special Revenue Funds
ASSETS:						
1110	Cash and cash equivalents	\$	\$	\$	\$	\$
1120	Current investments					
1240	Receivables from other governments					
1260	Due from other funds					
1290	Other receivables					
1300	Inventories					
1000	Total assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
LIABILITIES AND FUND BALANCE:						
Liabilities:						
2110	Accounts payable	\$	\$	\$	\$	\$
2160	Accrued wages payable					
2170	Due to other funds					
2300	Unearned revenue					
2000	Total liabilities	<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					
3000	Total fund balance	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
4000	Total liabilities and fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Revenue Funds							
461	472	481	482	485	489	490	491
Campus Activity Funds	BISD Education Foundation	Region IV PBIS	PPCD Program	CTE Major Giving	City of Lake Jackson PEG	Dow Education Grants	HGAC Clean School Bus Program
\$ 1,119,206	\$ 262,983 1,123,721	\$	\$	\$ 20,000	\$	\$ 206,004	\$
					61,055		
				2,500,000			
<u>\$ 1,119,206</u>	<u>\$ 1,386,704</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,520,000</u>	<u>\$ 61,055</u>	<u>\$ 206,004</u>	<u>\$ -0-</u>
\$	\$ 6,981	\$	\$	\$	\$	\$ 3,820	\$
					61,003		
<u>-0-</u>	<u>6,981</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>61,003</u>	<u>3,820</u>	<u>-0-</u>
<u>1,119,206</u>	<u>1,379,723</u>			<u>2,520,000</u>	<u>52</u>	<u>202,184</u>	
<u>1,119,206</u>	<u>1,379,723</u>	<u>-0-</u>	<u>-0-</u>	<u>2,520,000</u>	<u>52</u>	<u>202,184</u>	<u>-0-</u>
<u>\$ 1,119,206</u>	<u>\$ 1,386,704</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,520,000</u>	<u>\$ 61,055</u>	<u>\$ 206,004</u>	<u>\$ -0-</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2021

Exhibit H-1
Page 3 of 3

Data Control Codes		Total Nonmajor Governmental (See C-1)
	ASSETS:	
1110	Cash and cash equivalents	\$ 5,288,448
1120	Current investments	1,123,721
1240	Receivables from other governments	2,649,761
1260	Due from other funds	2,677,704
1290	Other receivables	8,838
1300	Inventories	<u>9,876</u>
1000	Total assets	<u>\$ 11,758,348</u>
	LIABILITIES AND FUND BALANCE:	
	Liabilities:	
2110	Accounts payable	\$ 366,554
2160	Accrued wages payable	897,399
2170	Due to other funds	4,548,673
2300	Unearned revenue	<u>4,637</u>
2000	Total liabilities	<u>5,817,263</u>
	Fund Balance:	
	Nonspendable:	
3410	Inventories	9,876
	Restricted:	
3460	Grant Funds	710,044
3490	Other	<u>5,221,165</u>
3000	Total fund balance	<u>5,941,085</u>
4000	Total liabilities and fund balance	<u>\$ 11,758,348</u>

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BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2021

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	\$ 200	\$ 65	\$	\$	\$ 485,612
5800	State program revenues					207,552
5900	Federal program revenues	2,728,234	2,774,635	65,102	118,868	6,595,062
5020	Total revenues	2,728,434	2,774,700	65,102	118,868	7,288,226
	EXPENDITURES:					
	Current:					
0011	Instruction	2,330,866	2,005,164	65,102	82,718	
0012	Instructional resources and media services					
0013	Curriculum and instructional staff development	226,415	10,063			
0021	Instructional leadership	53,111	72,100			
0023	School leadership	9,435	1,917			
0031	Guidance, counseling and evaluation services		615,281			
0032	Social work services	70,750	70,175			
0033	Health services	2,068				
0034	Student (pupil) transportation				24,850	
0035	Food services					6,922,606
0036	Cocurricular/extracurricular activities					
0041	General administration					
0051	Facilities maintenance and operations					
0052	Security and monitoring services					
0053	Data processing services					
0061	Community services	35,789				
	Intergovernmental:					
0093	Payments related to shared services arrangements				11,300	
6030	Total expenditures	2,728,434	2,774,700	65,102	118,868	6,922,606
1100	Excess (deficiency) of revenues over expenditures	-0-	-0-	-0-	-0-	365,620
	OTHER FINANCING SOURCES (USES):					
7915	Transfers in					138,853
8911	Transfers out					
	Total other financing sources (uses)	-0-	-0-	-0-	-0-	138,853
1200	Net change in fund balance	-0-	-0-	-0-	-0-	504,473
0100	Fund balance - beginning	-0-	-0-	-0-	-0-	215,447
3000	Fund balance - ending	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 719,920

Revenue Funds

244	255	263	266	276	277	282	289
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	Title I School Improvement Program Academy Grant	Coronavirus Relief Fund CARES Act	ESSER III Grant	Federally Funded Special Revenue Funds
\$ 29	\$	\$ 127	\$ 70	\$	\$	\$	\$ 20
<u>145,906</u>	<u>325,196</u>	<u>151,875</u>	<u>346,323</u>	<u>40,152</u>	<u>480,000</u>	<u>452,505</u>	<u>233,349</u>
<u>145,935</u>	<u>325,196</u>	<u>152,002</u>	<u>346,393</u>	<u>40,152</u>	<u>480,000</u>	<u>452,505</u>	<u>233,369</u>
63,038		104,911	346,393	40,152		243,867	63,281
82,897	182,990	36,847				18,895	
	139,940	1,665				124,502	24,796
	2,266	1,332				9,124	
						42,377	
							54,000
						5,155	
					480,000	8,585	91,292
		7,247					
<u>145,935</u>	<u>325,196</u>	<u>152,002</u>	<u>346,393</u>	<u>40,152</u>	<u>480,000</u>	<u>452,505</u>	<u>233,369</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, 2021

Data Control Codes		385	397	410	427	Special 429
		State Supplemental Visually Impaired (SSVI)	Advanced Placement Incentives	State Instructional Materials Fund	Criminal Justice Planning Grant	State Funded Special Revenue Funds
	REVENUES:					
5700	Local and intermediate sources	\$	\$	\$	\$	\$ 66,512
5800	State program revenues	13,190	3,150	224,763	67,131	199,039
5900	Federal program revenues					
5020	Total revenues	<u>13,190</u>	<u>3,150</u>	<u>224,763</u>	<u>67,131</u>	<u>265,551</u>
	EXPENDITURES:					
	Current:					
0011	Instruction	13,190		224,763		20,968
0012	Instructional resources and media services					
0013	Curriculum and instructional staff development		3,150			200
0021	Instructional leadership					
0023	School leadership					
0031	Guidance, counseling and evaluation services					45,544
0032	Social work services				67,131	
0033	Health services					
0034	Student (pupil) transportation					
0035	Food services					
0036	Cocurricular/extracurricular activities					
0041	General administration					
0051	Facilities maintenance and operations					
0052	Security and monitoring services					198,839
0053	Data processing services					
0061	Community services					
	Intergovernmental:					
0093	Payments related to shared services arrangements					
6030	Total expenditures	<u>13,190</u>	<u>3,150</u>	<u>224,763</u>	<u>67,131</u>	<u>265,551</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	OTHER FINANCING SOURCES (USES):					
7915	Transfers in					
8911	Transfers out					
	Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1200	Net change in fund balance	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
0100	Fund balance - beginning	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
3000	Fund balance - ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Revenue Funds

461	472	481	482	485	489	490	491
Campus Activity Funds	BISD Education Foundation	Region IV PBIS	PPCD Program	CTE Major Giving	City of Lake Jackson PEG	Dow Education Grants	HGAC Clean School Bus Program
\$ 826,997	\$ 762,441	\$ 13,571	\$	\$ 2,500,000	\$ 61,055	\$ 76,975	\$ 80,531
<u>826,997</u>	<u>762,441</u>	<u>13,571</u>	<u>-0-</u>	<u>2,500,000</u>	<u>61,055</u>	<u>76,975</u>	<u>80,531</u>
	56,027	4,108	15,692		61,055	118,529	
		425 7,667				18,550	
	34,191	1,371				1,277	
							80,531
821,880	7,706 47,000					165	
	377						
<u>821,880</u>	<u>145,301</u>	<u>13,571</u>	<u>15,692</u>	<u>-0-</u>	<u>61,055</u>	<u>138,521</u>	<u>80,531</u>
<u>5,117</u>	<u>617,140</u>	<u>-0-</u>	<u>(15,692)</u>	<u>2,500,000</u>	<u>-0-</u>	<u>(61,546)</u>	<u>-0-</u>
13,590	(180,000)			20,000		86,651	
<u>13,590</u>	<u>(180,000)</u>	<u>-0-</u>	<u>-0-</u>	<u>20,000</u>	<u>-0-</u>	<u>86,651</u>	<u>-0-</u>
18,707	437,140	-0-	(15,692)	2,520,000	-0-	25,105	-0-
<u>1,100,499</u>	<u>942,583</u>	<u>-0-</u>	<u>15,692</u>	<u>-0-</u>	<u>52</u>	<u>177,079</u>	<u>-0-</u>
<u>\$ 1,119,206</u>	<u>\$ 1,379,723</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,520,000</u>	<u>\$ 52</u>	<u>\$ 202,184</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, 2021

<u>Data Control Codes</u>		<u>Total Nonmajor Governmental (See C-4)</u>
	REVENUES:	
5700	Local and intermediate sources	\$ 4,874,205
5800	State program revenues	714,825
5900	Federal program revenues	<u>14,457,207</u>
5020	Total revenues	<u>20,046,237</u>
	EXPENDITURES:	
	Current:	
0011	Instruction	5,859,824
0012	Instructional resources and media services	18,895
0013	Curriculum and instructional staff development	710,835
0021	Instructional leadership	283,607
0023	School leadership	14,950
0031	Guidance, counseling and evaluation services	740,041
0032	Social work services	262,056
0033	Health services	2,068
0034	Student (pupil) transportation	105,381
0035	Food services	6,922,771
0036	Cocurricular/extracurricular activities	829,586
0041	General administration	47,000
0051	Facilities maintenance and operations	5,155
0052	Security and monitoring services	290,508
0053	Data processing services	488,585
0061	Community services	43,036
	Intergovernmental:	
0093	Payments related to shared services arrangements	<u>11,300</u>
6030	Total expenditures	<u>16,635,598</u>
1100	Excess (deficiency) of revenues over expenditures	<u>3,410,639</u>
	OTHER FINANCING SOURCES (USES):	
7915	Transfers in	259,094
8911	Transfers out	<u>(180,000)</u>
	Total other financing sources (uses)	<u>79,094</u>
1200	Net change in fund balance	3,489,733
0100	Fund balance - beginning	<u>2,451,352</u>
3000	Fund balance - ending	<u>\$ 5,941,085</u>

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BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
AUGUST 31, 2021

Exhibit H-3

<u>Data Control Codes</u>		<u>Dental Plan</u>	<u>Worker's Compensation</u>	<u>Total (See D-1)</u>
	Assets:			
1110	Cash and cash equivalents	\$ 214,844	\$ 197,479	\$ 412,323
1120	Investments		2,088,335	2,088,335
1290	Other receivables (net)	<u>69</u>	<u> </u>	<u>69</u>
1000	Total assets	<u>214,913</u>	<u>2,285,814</u>	<u>2,500,727</u>
	Liabilities:			
2165	Accrued liabilities	<u>43,340</u>	<u>196,135</u>	<u>239,475</u>
2000	Total liabilities	<u>43,340</u>	<u>196,135</u>	<u>239,475</u>
	Net Position:			
3900	Unrestricted net position	<u>171,573</u>	<u>2,089,679</u>	<u>2,261,252</u>
3000	Total net position	<u>\$ 171,573</u>	<u>\$ 2,089,679</u>	<u>\$ 2,261,252</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

Exhibit H-4

	<u>Dental Plan</u>	<u>Worker's Compensation</u>	<u>Total (See D-2)</u>
Operating Revenues:			
Charges for services	\$ <u>651,961</u>	\$ <u>318,812</u>	\$ <u>970,773</u>
Total operating revenues	<u>651,961</u>	<u>318,812</u>	<u>970,773</u>
Operating Expenses:			
Insurance claims and expenses	<u>753,076</u>	<u>276,548</u>	<u>1,029,624</u>
Total operating expenses	<u>753,076</u>	<u>276,548</u>	<u>1,029,624</u>
Operating income (loss)	(<u>101,115</u>)	<u>42,264</u>	(<u>58,851</u>)
Nonoperating Revenues:			
Investment earnings	<u>302</u>	<u>4,257</u>	<u>4,559</u>
Total nonoperating revenues	<u>302</u>	<u>4,257</u>	<u>4,559</u>
Change in net position	(<u>100,813</u>)	<u>46,521</u>	(<u>54,292</u>)
Net position - beginning	<u>272,386</u>	<u>2,043,158</u>	<u>2,315,544</u>
Net position - ending	<u>\$ 171,573</u>	<u>\$ 2,089,679</u>	<u>\$ 2,261,252</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

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	\$ 651,978	\$ 318,812	\$ 970,790
Payments to suppliers		(5,274)	(5,274)
Claims paid	(750,994)	(253,047)	(1,004,041)
Net cash provided (used) by operating activities	(99,016)	60,491	(38,525)
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		(4,085,977)	(4,085,977)
Sale of Investments	261,000	4,088,000	4,349,000
Investment earnings	74	78	152
Net cash provided by investing activities	261,074	2,101	263,175
Change in cash and cash equivalents	162,058	62,592	224,650
Cash and cash equivalents - beginning	52,786	134,887	187,673
Cash and cash equivalents - ending	<u>\$ 214,844</u>	<u>\$ 197,479</u>	<u>\$ 412,323</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$(101,115)	\$ 42,264	\$(58,851)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided (Used) by Operating Activities:			
Changes in Assets and Liabilities:			
Other receivables	17		17
Accrued expenses payable	2,082	18,227	20,309
Net cash provided (used) by operating activities	<u>\$(99,016)</u>	<u>\$ 60,491</u>	<u>\$(38,525)</u>
NONCASH INVESTING ACTIVITIES:			
Increase in fair value of investments	<u>\$ 228</u>	<u>\$ 4,179</u>	<u>\$ 4,407</u>

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BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED AUGUST 31, 2021

Last Ten Years Ended August 31,	Tax Rates		Assessed/Appraised Value for School Tax Purposes	Beginning Balance September 1, 2020
	Maintenance	Debt Service		
2011 and Prior	\$ Various	\$ Various	\$ Various	\$ 174,276
2012	1.040000	0.201500	6,068,476,601	27,207
2013	1.040000	0.219500	6,431,912,070	42,215
2014	1.040000	0.215300	6,409,126,185	52,830
2015	1.040000	0.215300	6,933,187,931	57,135
2016	1.040000	0.215300	8,001,042,265	83,226
2017	1.040000	0.215300	8,457,052,204	95,019
2018	1.040000	0.215300	11,394,834,859	154,481
2019	1.040000	0.215300	12,835,080,081	279,257
2020	0.970000	0.215300	13,160,599,931	631,028
2021 (School Year Under Audit)	0.966400	0.215300	9,732,175,392	
1000 Totals				\$ <u>1,596,674</u>

Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance August 31, 2021
\$	\$ 4,773	\$ 693	\$(45,882)	\$ 122,928
	587	114	-0-	26,506
	1,823	385	-0-	40,007
	3,588	743	-0-	48,499
	3,771	781	(120)	52,463
	5,855	1,212	(728)	75,431
	14,571	3,016	(963)	76,469
	33,654	6,967	(2,284)	111,576
	50,566	10,468	(49,216)	169,007
	189,713	42,109	(141,147)	258,059
<u>109,390,325</u>	<u>91,116,778</u>	<u>41,304,946</u>	<u>23,630,431</u>	<u>599,032</u>
<u>\$ 109,390,325</u>	<u>\$ 91,425,679</u>	<u>\$ 41,371,434</u>	<u>\$ 23,390,091</u>	<u>\$ 1,579,977</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

Exhibit J-2

*SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2021*

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 1,044,980	\$ 1,044,980	\$ 485,612	\$(559,368)
5800	State program revenues	27,730	27,730	207,552	179,822
5900	Federal program revenues	4,198,977	5,898,977	6,595,062	696,085
5020	Total revenues	5,271,687	6,971,687	7,288,226	316,539
	EXPENDITURES:				
	Current:				
0035	Food services	5,271,687	6,971,687	6,922,606	49,081
6030	Total expenditures	5,271,687	6,971,687	6,922,606	49,081
1100	Excess of revenues over expenditures	-0-	-0-	365,620	365,620
	OTHER FINANCING SOURCES:				
7915	Transfers in			138,853	138,853
	Total other financing sources	-0-	-0-	138,853	138,853
1200	Net change in fund balance	-0-	-0-	504,473	504,473
0100	Fund balance - beginning	215,447	215,447	215,447	-0-
3000	Fund balance - ending	\$ 215,447	\$ 215,447	\$ 719,920	\$ 54,473

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, 2021

Exhibit J-3

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 43,823,065	\$ 41,333,065	\$ 41,619,250	\$ 286,185
5800	State program revenues	<u>79,117</u>	<u>79,117</u>	<u>82,644</u>	<u>3,527</u>
5020	Total revenues	<u>43,902,182</u>	<u>41,412,182</u>	<u>41,701,894</u>	<u>289,712</u>
	EXPENDITURES:				
	Debt Service:				
0071	Principal	36,385,000	36,385,000	36,385,000	-0-
0072	Interest and fees	<u>7,122,216</u>	<u>16,582,216</u>	<u>16,345,313</u>	<u>236,903</u>
6030	Total expenditures	<u>43,507,216</u>	<u>52,967,216</u>	<u>52,730,313</u>	<u>236,903</u>
1100	Excess (deficiency) of revenues over expenditures	<u>394,966</u>	<u>(11,555,034)</u>	<u>(11,028,419)</u>	<u>526,615</u>
	OTHER FINANCING SOURCES:				
7911	Issuance of general obligation bonds			31,790,000	31,790,000
7915	Transfers in			3,194,071	3,194,071
7916	Premium on issuance of general obligation bonds		3,950,000	3,805,166	(144,834)
8940	Payments to escrow agent			<u>(34,643,965)</u>	<u>(34,643,965)</u>
	Total other financing sources	<u>-0-</u>	<u>3,950,000</u>	<u>4,145,272</u>	<u>195,272</u>
1200	Net change in fund balance	394,966	(7,605,034)	(6,883,147)	721,887
0100	Fund balance - beginning	<u>14,793,993</u>	<u>14,793,993</u>	<u>14,793,993</u>	<u>-0-</u>
3000	Fund balance - ending	<u>\$ 15,188,959</u>	<u>\$ 7,188,959</u>	<u>\$ 7,910,846</u>	<u>\$ 721,887</u>

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FEDERAL AWARDS SECTION

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Independent Auditor's Report

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

To the Board of Trustees
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, 2021, 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 9, 2021.

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.

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



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*.

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 9, 2021



Independent Auditor's Report

On Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To 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, 2021. 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, 2021.

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

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2801 N. Velasco, Suite C
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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 9, 2021

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2021

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:
 - Child Nutrition Cluster
 - School Breakfast Program - CFDA 10.553
 - National School Lunch Program - CFDA 10.555
 - Coronavirus Relief Fund - CFDA 21.019
 - Education Stabilization Fund
 - Elementary and Secondary School Emergency Relief (ESSER I) Fund - CFDA 84.425D
 - American Rescue Plan Elementary and Secondary School Emergency Relief (ESSER III) Fund - CFDA 84.425U
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, 2021

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	\$ 509,147
Title I Grants to Local Educational Agencies	84.010A	21610101020905	2,100,381
Title I Grants to Local Educational Agencies	84.010A	22610101020905	<u>224,285</u>
			<u>2,833,813</u>
Passed Through State Department of Education:			
Special Education - Grants to States (IDEA, Part B)*	84.027A	206600010209056600	642,196
Special Education - Grants to States (IDEA, Part B)*	84.027A	216600010209056600	2,011,090
Special Education - Grants to States (IDEA, Part B)*	84.027A	226600010209056600	195,922
Special Education - Grants to States (IDEA, Part B)*	84.027A	66002106	<u>118,868</u>
			<u>2,968,076</u>
Passed Through State Department of Education:			
Special Education - Preschool Grants (IDEA Preschool)*	84.173A	216600010209056610	5,273
Special Education - Preschool Grants (IDEA Preschool)*	84.173A	226600010209056610	<u>62,002</u>
			<u>67,275</u>
Passed Through State Department of Education:			
Career/Technical Education - Basic Grants to States (Perkins V)	84.048A	21420006020905	138,756
Career/Technical Education - Basic Grants to States (Perkins V)	84.048A	22420006020905	10,291
Career/Technical Education - Basic Grants to States (Perkins V)	84.048A	204200287110009	<u>2,688</u>
			<u>151,735</u>
Passed Through State Department of Education:			
English Language Acquisition State Grants	84.365A	20671001020905	52,714
English Language Acquisition State Grants	84.365A	21671001020905	73,326
English Language Acquisition State Grants	84.365A	22671001020905	<u>30,545</u>
			<u>156,585</u>
Passed Through State Department of Education:			
Supporting Effective Instruction State Grants	84.367A	20694501020905	54,027
Supporting Effective Instruction State Grants	84.367A	21694501020905	236,577
Supporting Effective Instruction State Grants	84.367A	22694501020905	<u>46,809</u>
			<u>337,413</u>
Passed Through State Department of Education:			
School Improvement Grants	84.377A	17610740020905	<u>41,766</u>
			<u>41,766</u>
Passed Through State Department of Education:			
Student Support and Academic Enrichment Program	84.424A	20680101020905	60,584
Student Support and Academic Enrichment Program	84.424A	21680101020905	154,979
Student Support and Academic Enrichment Program	84.424A	22680101020905	<u>25,360</u>
			<u>240,923</u>

(Continued)

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2021

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 - Continued</u>			
Passed Through State Department of Education:			
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	20521001020905	\$ 241,930
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	52102035	256,338
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	21528001020905	<u>452,505</u>
			<u>950,773</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 7,748,359</u>
<u>U.S. Department of Agriculture</u>			
Direct Program:			
Commodity Supplement Program **	10.555	---	<u>\$ 594,846</u>
			<u>594,846</u>
Passed Through State Department of Education:			
School Breakfast Program **	10.553	71402001	79,059
School Breakfast Program **	10.553	71402101	1,052,888
National School Lunch Program **	10.555	71302001	265,134
National School Lunch Program **	10.555	71302101	3,629,992
Passed Through State Department of Agriculture:			
COVID-19 School Breakfast Program **	10.553	71402101	6,498
COVID-19 National School Lunch Program **	10.555	71302101	<u>411,438</u>
			<u>5,445,009</u>
Passed Through State Department of Agriculture:			
Child and Adult Care Food Program	10.558	---	<u>555,207</u>
			<u>555,207</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 6,595,062</u>
<u>U.S. Department of Defense</u>			
Direct Programs:			
ROTC	12.000	---	<u>\$ 69,035</u>
TOTAL DEPARTMENT OF DEFENSE			<u>\$ 69,035</u>

(Continued)

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2021

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 Treasury</u>			
Passed Through the Texas Division of Emergency Management:			
COVID-19 Coronavirus Relief Fund	21.019	2020-CF-21019	\$ 549,752
Passed Through State Department of Education:			
COVID-19 Coronavirus Relief Fund	21.019	52202002	140,000
Passed Through the City of Clute:			
COVID-19 Coronavirus Relief Fund	21.019	--	50,000
Passed Through the City of Freeport:			
COVID-19 Coronavirus Relief Fund	21.019	--	50,000
Passed Through the City of Lake Jackson:			
COVID-19 Coronavirus Relief Fund	21.019	--	225,000
Passed Through the City of Richwood:			
COVID-19 Coronavirus Relief Fund	21.019	--	<u>15,000</u>
TOTAL DEPARTMENT OF TREASURY			<u>\$ 1,029,752</u>
<u>U.S. Department of Health & Human Services</u>			
Passed Through State Department of Human Services:			
Medical Assistance Program (Medicaid; Title XIX)	93.778	529-07-0157-00033	<u>\$ 55,956</u>
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES			<u>\$ 55,956</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 15,498,164</u>
*, ** - Cluster Programs			
RECONCILIATION:			
Federal Program Revenues (Exhibit C-2)			\$ 16,812,939
Less: School Health and Related Services (SHARS) not considered federal revenue for the Schedule of Federal Awards			(1,091,838)
Build America Bonds not considered federal revenue for the Schedule of Federal Awards			<u>(222,937)</u>
Total federal financial assistance (Schedule of expenditures of Federal Awards)			<u>\$ 15,498,164</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, 2021

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 \$ 527,374, while the monetary value of goods used and recognized as income and expenditures was \$ 594,846.

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, 2021. 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.

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