

BRADY INDEPENDENT SCHOOL DISTRICT
Annual Financial Report
Year Ended August 31, 2020

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CERTIFICATE OF THE BOARD

BRADY INDEPENDENT SCHOOL DISTRICT

Name of School District

McCULLOCH

County

160-901

County -
District
Number

We, the undersigned, certify that the attached annual financial report of the above-named School District was reviewed and

X approved ___ disapproved for the year ended August 31, 2020, at a meeting of the Board of Trustees of such School District
(Check One)

on the 14th day of December, 2020.



Signature of Board Secretary



Signature of Board President

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

FINANCIAL SECTION



A Limited Liability Partnership

Michael E. Oliphant, CPA
Wayne Barr, CPA
Cathryn A. Pitcock, CPA
Megan Solsbery, CPA

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Members of
American Institute of CPAs
Texas Society of CPAs

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Brady Independent School District
1003 West 11th Street
Brady, TX 76825

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brady Independent School District as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, and net pension liability and contributions information and net OPEB liability and contributions information for the Teacher Retirement System of Texas on pages 4 through 8, 48, and 49 through 55, respectively, 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 Brady Independent School District’s basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is 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* (CFR) 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 other supplementary information 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 information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020, on our consideration of the Brady Independent School District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Brady Independent School District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Brady Independent School District’s internal control over financial reporting and compliance.

Eckert & Company, LLP

December 7, 2020



BRADY INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Brady Independent School District's financial performance provides an overview of the District's financial activities for the year ended August 31, 2020. It should be read in conjunction with the District's basic financial statements and independent auditor's report.

Financial Highlights

The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the end of the current year by \$5,014,758 (net position). This amount includes a deficit balance of unrestricted net position of \$3,813,536.

The District's total net position decreased by \$173,498 or 3%. This amount consists of a \$177,785 decrease attributable to current year operations and a \$4,287 increase attributable to prior period adjustments described in Note IV., L. to the financial statements. The District's statement of activities shows total revenues of \$17,993,252 and total expenses of \$18,171,037.

The total fund balance of the General Fund is \$5,969,004 which is a decrease of \$74,444 or 1% compared to the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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 and liabilities/deferred inflows of resources, with the difference between the two 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 showing how the District's net position changed during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Overview of the Financial Statements - Continued

The governmental activities of the District include all activities related to public elementary and secondary education within the jurisdiction of the District.

The District has no component units.

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 legal requirements. All of the funds of the District can be divided into two categories: governmental 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, governmental 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 current year.

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 District's near-term financing decisions. Both the governmental 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.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service Fund, and the Capital Projects Fund, all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its General Fund, Food Service Special Revenue Fund, and Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with the budget for each fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. 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.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis

Net Position - A summary of the District's net position is presented below:

NET POSITION

| | Governmental Activities | |
|-----------------------------------|-------------------------|---------------|
| | August 31, | |
| | 2020 | 2019 |
| Current and Other Assets | \$ 10,164,592 | \$ 12,101,043 |
| Capital Assets | 23,448,473 | 21,058,701 |
| Total Assets | \$ 33,613,065 | \$ 33,159,744 |
| Deferred Outflows of Resources | \$ 4,206,498 | \$ 3,069,766 |
| Long-Term Liabilities Outstanding | \$ 26,921,391 | \$ 27,452,411 |
| Other Liabilities | 1,984,673 | 815,989 |
| Total Liabilities | \$ 28,906,064 | \$ 28,268,400 |
| Deferred Inflows of Resources | \$ 3,898,741 | \$ 2,772,854 |
| Net Position | | |
| Net Investment in Capital Assets | \$ 7,185,259 | \$ 6,469,297 |
| Restricted | 1,643,035 | 1,519,930 |
| Unrestricted (Deficit) | (3,813,536) | (2,800,971) |
| Total Net Position | \$ 5,014,758 | \$ 5,188,256 |

A large portion of the District's net position (\$7,185,259) reflects the District's investment in capital assets, less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide public elementary and secondary education within the jurisdiction of the District; 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 (\$1,643,035) represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of unrestricted net position is \$3,813,536.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis - Continued

Governmental Activities - Governmental activities decreased the District's net position by \$177,785 and increased the District's net position by \$808,554 for the fiscal years ended August 31, 2020 and 2019, respectively. Key elements of these increases (decreases) are as follows:

CHANGES IN NET POSITION

| | Governmental Activities | |
|--|-------------------------|---------------|
| | Year Ended August 31, | |
| | 2020 | 2019 |
| Revenues | | |
| Program Revenues | | |
| Charges for Services | \$ 998,985 | \$ 977,942 |
| Operating Grants and Contributions | 3,305,412 | 3,174,949 |
| General Revenues | | |
| Maintenance and Operations Taxes | 4,236,442 | 4,969,054 |
| Debt Service Taxes | 1,843,959 | 1,436,035 |
| State Aid - Formula Grants | 6,356,753 | 5,761,011 |
| Investment Earnings | 172,962 | 274,060 |
| Chapter 313 Payments | 868,462 | 605,861 |
| Other | 210,277 | 187,991 |
| Total Revenues | \$ 17,993,252 | \$ 17,386,903 |
| Expenses | | |
| Instruction and Instructional-Related Services | \$ 9,601,191 | \$ 8,725,187 |
| Instructional and School Leadership | 1,226,207 | 1,142,700 |
| Support Services - Student (Pupil) | 3,663,431 | 3,240,929 |
| Administrative Support Services | 787,431 | 716,396 |
| Support Services - Nonstudent Based | 1,626,403 | 1,496,806 |
| Ancillary Services | 478 | 1,687 |
| Debt Service | 651,229 | 722,146 |
| Intergovernmental Charges | 614,667 | 532,498 |
| Total Expenses | \$ 18,171,037 | \$ 16,578,349 |
| Change in Net Position | \$ (177,785) | \$ 808,554 |
| Net Position - Beginning | 5,188,256 | 3,981,707 |
| Prior Period Adjustments | 4,287 | 397,995 |
| Net Position - Ending | \$ 5,014,758 | \$ 5,188,256 |

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Financial Analysis of the District's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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. The unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the current year.

The District's governmental funds reported combined ending fund balances of \$8,061,910, a decrease of \$3,122,758 or 28% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$5,969,004. Of this balance \$34,514 is nonspendable for prepaid expenditures and \$1,630,661 is committed for future construction, equipment purchases, and salaries.

Special Revenue Funds \$472,768. Of this balance \$22,897 is restricted for use in the Food Service Fund, \$73,893 is committed for use by the Campus Activity Funds, and \$371,593 is assigned for use by the local special education program. In addition, the District serves as fiscal agent for the Heart of Texas Special Education Cooperative. The fund balance in that fund is restricted for use in the Heart of Texas Cooperative in the amount of \$4,385.

Debt Service Fund \$1,620,138. This balance is restricted for payment of long-term debt principal and interest.

General Fund Budget

The original budget for the General Fund was \$12,635,876, and the final amended budget was \$13,115,768 which represents a \$479,892 increase. Variances between the original budget and the final amended budget are reflected in Exhibit E-1 in the required supplementary information section of the audit report.

The District has adopted a budget for the General Fund in the amount of \$12,034,015 for the fiscal year 2021, which is a decrease of \$1,018,753 from the fiscal year 2020.

Capital Assets and Debt

Capital Assets - Financial statement footnote III., D. discloses the District's capital asset activity for the year ended August 31, 2020.

Long-Term Debt - Financial statement footnote III., I. discloses the District's debt activity for the year ended August 31, 2020.

Requests for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Dr. Hector Martinez, Superintendent, Brady Independent School District, 1003 West 11th Street, Brady, TX 76825.

Basic Financial Statements

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

EXHIBIT A-1

| Data Control Codes | Primary Government Governmental Activities |
|--|--|
| ASSETS | |
| 1110 Cash and Cash Equivalents | \$ 9,251,889 |
| 1220 Property Taxes - Delinquent | 204,454 |
| 1230 Allowance for Uncollectible Taxes | (59,881) |
| 1240 Due from Other Governments | 727,888 |
| 1250 Accrued Interest | 1,785 |
| 1290 Other Receivables, Net | 3,768 |
| 1410 Prepayments | 34,689 |
| Capital Assets: | |
| 1510 Land | 574,745 |
| 1520 Buildings, Net | 18,650,247 |
| 1530 Furniture and Equipment, Net | 843,762 |
| 1580 Construction in Progress | 3,379,719 |
| 1000 Total Assets | 33,613,065 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| 1701 Deferred Loss on Refunding | 533,434 |
| 1705 Deferred Outflow Related to TRS Pension | 2,184,335 |
| 1706 Deferred Outflow Related to TRS OPEB | 1,488,729 |
| 1700 Total Deferred Outflows of Resources | 4,206,498 |
| LIABILITIES | |
| 2110 Accounts Payable | 520,026 |
| 2140 Interest Payable | 26,564 |
| 2150 Payroll Deductions and Withholdings | 78 |
| 2160 Accrued Wages Payable | 501,498 |
| 2180 Due to Other Governments | 901,457 |
| 2200 Accrued Expenses | 16,102 |
| 2300 Unearned Revenue | 18,948 |
| Noncurrent Liabilities: | |
| 2501 Due Within One Year | 1,145,000 |
| 2502 Due in More Than One Year | 16,011,649 |
| 2540 Net Pension Liability (District's Share) | 4,055,331 |
| 2545 Net OPEB Liability (District's Share) | 5,709,411 |
| 2000 Total Liabilities | 28,906,064 |
| DEFERRED INFLOWS OF RESOURCES | |
| 2605 Deferred Inflow Related to TRS Pension | 785,123 |
| 2606 Deferred Inflow Related to TRS OPEB | 3,113,618 |
| 2600 Total Deferred Inflows of Resources | 3,898,741 |
| NET POSITION | |
| 3200 Net Investment in Capital Assets | 7,185,259 |
| 3820 Restricted for Federal and State Programs | 22,897 |
| 3850 Restricted for Debt Service | 1,620,138 |
| 3900 Unrestricted (Deficit) | (3,813,536) |
| 3000 Total Net Position | \$ 5,014,758 |

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

BRADY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT B-1

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

Primary Government:

GOVERNMENTAL ACTIVITIES:

| | | | | |
|---|---------------|------------|--------------|----------------|
| 11 Instruction | \$ 9,185,142 | \$ 396,185 | \$ 1,710,371 | \$ (7,078,586) |
| 12 Instructional Resources and Media Services | 208,014 | - | 19,468 | (188,546) |
| 13 Curriculum and Instructional Staff Development | 208,035 | - | 31,033 | (177,002) |
| 21 Instructional Leadership | 228,451 | 160,419 | 48,389 | (19,643) |
| 23 School Leadership | 997,756 | - | 102,920 | (894,836) |
| 31 Guidance, Counseling, and Evaluation Services | 1,132,342 | 288,755 | 468,556 | (375,031) |
| 32 Social Work Services | 79,820 | - | 61,189 | (18,631) |
| 33 Health Services | 199,942 | - | 18,420 | (181,522) |
| 34 Student (Pupil) Transportation | 421,058 | 3,295 | 39,199 | (378,564) |
| 35 Food Services | 776,458 | 93,862 | 497,065 | (185,531) |
| 36 Extracurricular Activities | 1,053,811 | 38,821 | 64,687 | (950,303) |
| 41 General Administration | 787,431 | - | 73,343 | (714,088) |
| 51 Facilities Maintenance and Operations | 1,365,068 | 9,627 | 68,403 | (1,287,038) |
| 52 Security and Monitoring Services | 17,529 | - | - | (17,529) |
| 53 Data Processing Services | 243,806 | 8,021 | 22,204 | (213,581) |
| 61 Community Services | 478 | - | 165 | (313) |
| 72 Debt Service - Interest on Long-Term Debt | 650,229 | - | - | (650,229) |
| 73 Debt Service - Bond Issuance Cost and Fees | 1,000 | - | - | (1,000) |
| 93 Payments Related to Shared Services Arrangements | 437,294 | - | 80,000 | (357,294) |
| 99 Other Intergovernmental Charges | 177,373 | - | - | (177,373) |
| [TP] TOTAL PRIMARY GOVERNMENT: | \$ 18,171,037 | \$ 998,985 | \$ 3,305,412 | (13,866,640) |

| Data Control Codes | General Revenues: Taxes: | |
|--------------------------|--|--------------|
| MT | Property Taxes, Levied for General Purposes | 4,236,442 |
| DT | Property Taxes, Levied for Debt Service | 1,843,959 |
| SF | State Aid - Formula Grants | 6,356,753 |
| IE | Investment Earnings | 172,962 |
| MI | Miscellaneous Local and Intermediate Revenue | 1,078,739 |
| TR | Total General Revenues | 13,688,855 |
| CN | Change in Net Position | (177,785) |
| NB | Net Position - Beginning | 5,188,256 |
| PA | Prior Period Adjustments | 4,287 |
| NE | Net Position - Ending | \$ 5,014,758 |

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

BRADY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2020

| Data Control Codes | 10 General Fund | 50 Debt Service Fund | 60 Capital Projects |
|--|-----------------------|----------------------------|---------------------------|
| ASSETS | | | |
| 1110 Cash and Cash Equivalents | \$ 6,759,733 | \$ 1,577,383 | \$ 459,411 |
| 1220 Property Taxes - Delinquent | 155,013 | 49,441 | - |
| 1230 Allowance for Uncollectible Taxes | (45,401) | (14,480) | - |
| 1240 Due from Other Governments | 377,570 | 42,490 | - |
| 1250 Accrued Interest | 1,520 | 265 | - |
| 1260 Due from Other Funds | 149,389 | - | 41,656 |
| 1290 Other Receivables | 3,573 | - | - |
| 1410 Prepayments | 34,514 | - | - |
| 1000 Total Assets | <u>\$ 7,435,911</u> | <u>\$ 1,655,099</u> | <u>\$ 501,067</u> |
| LIABILITIES | | | |
| 2110 Accounts Payable | \$ 12,434 | \$ - | \$ 501,067 |
| 2150 Payroll Deductions and Withholdings Payable | 78 | - | - |
| 2160 Accrued Wages Payable | 393,442 | - | - |
| 2170 Due to Other Funds | 41,656 | - | - |
| 2180 Due to Other Governments | 901,457 | - | - |
| 2200 Accrued Expenditures | 8,228 | - | - |
| 2300 Unearned Revenue | - | - | - |
| 2000 Total Liabilities | <u>1,357,295</u> | <u>-</u> | <u>501,067</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| 2601 Unavailable Revenue - Property Taxes | 109,612 | 34,961 | - |
| 2600 Total Deferred Inflows of Resources | <u>109,612</u> | <u>34,961</u> | <u>-</u> |
| FUND BALANCES | | | |
| Nonspendable Fund Balance: | | | |
| 3430 Prepaid Items | 34,514 | - | - |
| Restricted Fund Balance: | | | |
| 3450 Federal or State Funds Grant Restriction | - | - | - |
| 3480 Retirement of Long-Term Debt | - | 1,620,138 | - |
| Committed Fund Balance: | | | |
| 3510 Construction | 1,211,589 | - | - |
| 3530 Capital Expenditures for Equipment | 119,072 | - | - |
| 3545 Other Committed Fund Balance | 300,000 | - | - |
| Assigned Fund Balance: | | | |
| 3590 Other Assigned Fund Balance | - | - | - |
| 3600 Unassigned Fund Balance | 4,303,829 | - | - |
| 3000 Total Fund Balances | <u>5,969,004</u> | <u>1,620,138</u> | <u>-</u> |
| 4000 Total Liabilities, Deferred Inflows & Fund Balances | <u>\$ 7,435,911</u> | <u>\$ 1,655,099</u> | <u>\$ 501,067</u> |

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

| Other Funds | Total Governmental Funds |
|-------------------|--------------------------------|
| \$ 455,362 | \$ 9,251,889 |
| - | 204,454 |
| - | (59,881) |
| 307,828 | 727,888 |
| - | 1,785 |
| 45,255 | 236,300 |
| 195 | 3,768 |
| 175 | 34,689 |
| <u>\$ 808,815</u> | <u>\$ 10,400,892</u> |
| | |
| \$ 6,525 | \$ 520,026 |
| - | 78 |
| 108,056 | 501,498 |
| 194,644 | 236,300 |
| - | 901,457 |
| 7,874 | 16,102 |
| 18,948 | 18,948 |
| <u>336,047</u> | <u>2,194,409</u> |
| | |
| - | 144,573 |
| <u>-</u> | <u>144,573</u> |
| | |
| - | 34,514 |
| 22,897 | 22,897 |
| - | 1,620,138 |
| - | 1,211,589 |
| - | 119,072 |
| 78,278 | 378,278 |
| 371,593 | 371,593 |
| - | 4,303,829 |
| <u>472,768</u> | <u>8,061,910</u> |
| | |
| <u>\$ 808,815</u> | <u>\$ 10,400,892</u> |

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

EXHIBIT C-2

| | | |
|--|-----------|------------------|
| Total Fund Balances - Governmental Funds | \$ | 8,061,910 |
| 1 Capital assets net of accumulated depreciation used in governmental activities are not reported in governmental funds. | | 23,448,473 |
| 2 Deferred outflows of resources related to pensions are not reported in governmental funds. | | 2,184,335 |
| 3 Deferred outflows of resources related to other postemployment benefits are not reported in governmental funds. | | 1,488,729 |
| 4 Deferred loss on refunding is not reported in governmental funds. | | 533,434 |
| 5 Accrued interest payable on long-term debt is not reported in governmental funds. | | (26,564) |
| 6 Long-term debt, including unamortized premiums, is not reported in governmental funds. | | (17,156,649) |
| 7 Recognition of the District's proportionate share of the net pension liability is not reported in governmental funds. | | (4,055,331) |
| 8 Recognition of the District's proportionate share of the net other postemployment benefit liability is not reported in governmental funds. | | (5,709,411) |
| 9 Deferred inflows of resources related to pensions are not reported in governmental funds. | | (785,123) |
| 10 Deferred inflows of resources related to other postemployment benefits are not reported in governmental funds. | | (3,113,618) |
| 11 Property taxes unavailable to pay for current period expenditures are deferred in governmental funds. | | 144,573 |
| 19 Net Position of Governmental Activities | <u>\$</u> | <u>5,014,758</u> |

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

BRADY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

| Data Control Codes | 10 General Fund | 50 Debt Service Fund | 60 Capital Projects |
|--|-----------------------|----------------------------|---------------------------|
| REVENUES: | | | |
| 5700 Total Local and Intermediate Sources | \$ 5,373,257 | \$ 1,892,572 | \$ 32,510 |
| 5800 State Program Revenues | 7,027,047 | 37,579 | - |
| 5900 Federal Program Revenues | - | - | - |
| 5020 Total Revenues | <u>12,400,304</u> | <u>1,930,151</u> | <u>32,510</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| 0011 Instruction | 6,533,186 | - | 74,766 |
| 0012 Instructional Resources and Media Services | 184,895 | - | - |
| 0013 Curriculum and Instructional Staff Development | 173,794 | - | - |
| 0021 Instructional Leadership | 13,654 | - | - |
| 0023 School Leadership | 861,937 | - | - |
| 0031 Guidance, Counseling, and Evaluation Services | 226,580 | - | - |
| 0032 Social Work Services | 111 | - | - |
| 0033 Health Services | 171,299 | - | - |
| 0034 Student (Pupil) Transportation | 485,551 | - | - |
| 0035 Food Services | 20,721 | - | - |
| 0036 Extracurricular Activities | 891,926 | - | - |
| 0041 General Administration | 671,656 | - | - |
| 0051 Facilities Maintenance and Operations | 1,338,391 | - | 700 |
| 0052 Security and Monitoring Services | 27,734 | - | - |
| 0053 Data Processing Services | 209,505 | - | - |
| 0061 Community Services | 313 | - | - |
| Debt Service: | | | |
| 0071 Principal on Long-Term Debt | - | 1,135,000 | - |
| 0072 Interest on Long-Term Debt | - | 686,590 | - |
| 0073 Bond Issuance Cost and Fees | - | 1,000 | - |
| Capital Outlay: | | | |
| 0081 Facilities Acquisition and Construction | - | - | 3,160,438 |
| Intergovernmental: | | | |
| 0093 Payments to Fiscal Agent/Member Districts of SSA | 357,294 | - | - |
| 0099 Other Intergovernmental Charges | 177,373 | - | - |
| 6030 Total Expenditures | <u>12,345,920</u> | <u>1,822,590</u> | <u>3,235,904</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>54,384</u> | <u>107,561</u> | <u>(3,203,394)</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| 7915 Transfers In | - | - | - |
| 8911 Transfers Out (Use) | (130,316) | - | - |
| 7080 Total Other Financing Sources (Uses) | <u>(130,316)</u> | <u>-</u> | <u>-</u> |
| 1200 Net Change in Fund Balances | (75,932) | 107,561 | (3,203,394) |
| 0100 Fund Balance - September 1 (Beginning) | 6,043,448 | 1,509,778 | 3,203,394 |
| 1300 Increase (Decrease) in Fund Balance | 1,488 | 2,799 | - |
| 3000 Fund Balance - August 31 (Ending) | <u>\$ 5,969,004</u> | <u>\$ 1,620,138</u> | <u>\$ -</u> |

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

| | Other Funds | Total Governmental Funds |
|----|----------------|--------------------------------|
| \$ | 1,016,902 | \$ 8,315,241 |
| | 105,842 | 7,170,468 |
| | 1,970,165 | 1,970,165 |
| | 3,092,909 | 17,455,874 |
| | 1,330,665 | 7,938,617 |
| | - | 184,895 |
| | 26,701 | 200,495 |
| | 188,676 | 202,330 |
| | - | 861,937 |
| | 705,398 | 931,978 |
| | 61,189 | 61,300 |
| | - | 171,299 |
| | - | 485,551 |
| | 677,610 | 698,331 |
| | 52,075 | 944,001 |
| | 16,015 | 687,671 |
| | 29,658 | 1,368,749 |
| | - | 27,734 |
| | 10,353 | 219,858 |
| | 165 | 478 |
| | - | 1,135,000 |
| | - | 686,590 |
| | - | 1,000 |
| | - | 3,160,438 |
| | 80,000 | 437,294 |
| | - | 177,373 |
| | 3,178,505 | 20,582,919 |
| | (85,596) | (3,127,045) |
| | 130,316 | 130,316 |
| | - | (130,316) |
| | 130,316 | - |
| | 44,720 | (3,127,045) |
| | 428,048 | 11,184,668 |
| | - | 4,287 |
| \$ | 472,768 | \$ 8,061,910 |

BRADY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT C-4

| | |
|---|---------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ (3,127,045) |
| Capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. | 3,326,804 |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. | (937,032) |
| Deferral on refunding associated with bonds payable is reported net of amortization on the government-wide financial statements. | (35,962) |
| Long-term debt principal payments are expenditures in governmental funds but are shown as reductions in long-term debt in the government-wide financial statements. | 1,135,000 |
| Interest is accrued on outstanding long-term debt in the government-wide financial statements but is reported as an expenditure in governmental funds when due. | 1,777 |
| Amortization of bond premium is not recorded in the governmental funds but is shown as a reduction in long-term debt in the government-wide financial statements. | 70,546 |
| Changes in the net pension liability and related deferred outflows and inflows are recognized in the government-wide financial statements but are not reported in governmental funds. | (558,770) |
| Changes in the net other postemployment benefit liability and related deferred outflows and inflows are recognized in the government-wide financial statements but are not reported in governmental funds. | (68,949) |
| Revenues from property taxes are deferred in governmental funds until they are considered available to finance current expenditures. In the government-wide financial statements, revenues are recognized when assessed, net of an allowance for uncollectible taxes. | 15,846 |
| Change in Net Position of Governmental Activities | \$ (177,785) |

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

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

| | Private Purpose Trust Funds | Agency Fund |
|-----------------------------|-----------------------------------|------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ - | \$ 46,645 |
| Restricted Assets | 523,945 | - |
| Total Assets | <u>523,945</u> | <u>\$ 46,645</u> |
| LIABILITIES | | |
| Due to Student Groups | - | \$ 46,645 |
| Total Liabilities | <u>-</u> | <u>\$ 46,645</u> |
| NET POSITION | | |
| Restricted for Scholarships | <u>523,945</u> | |
| Total Net Position | <u>\$ 523,945</u> | |

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

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

| | Private Purpose Trust Funds |
|--|-----------------------------------|
| ADDITIONS: | |
| Earnings from Temporary Deposits | \$ 6,559 |
| Contributions and Donations | 17,489 |
| Total Additions | <u>24,048</u> |
| DEDUCTIONS: | |
| Scholarships Paid | <u>26,469</u> |
| Total Deductions | <u>26,469</u> |
| Change in Fiduciary Net Position | (2,421) |
| Total Net Position - September 1 (Beginning) | <u>526,366</u> |
| Total Net Position - August 31 (Ending) | <u><u>\$ 523,945</u></u> |

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

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Brady Independent School District is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America applicable to state and local governments. Additionally, the District complies with the requirements of the Texas Education Agency's *Financial Accountability System Resource Guide* (the *Resource Guide*) and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The District is governed by the Board of Trustees, a seven-member group, which is elected by the public and has governance responsibilities, including fiscal accountability, over all activities related to public elementary and secondary education within the jurisdiction of the Brady Independent School District (the primary government). There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report 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. Governmental activities include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the District and (2) grants and contributions - payments from organizations outside the District that are restricted to meeting the operational or capital requirements of a particular function or segment of the District. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

All interfund transactions between governmental funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide statement of net position.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they become measurable and 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. With this measurement focus, only current assets, current liabilities, and fund balances are included in the balance sheet. 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

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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.

Property taxes, revenues received from the state, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received they are recorded as unearned revenue until related and authorized expenditures have been made.

The government reports the following major governmental funds:

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

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

The Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

Additionally, the government reports the following fund types:

The Private Purpose Trust Fund accounts for resources used to provide scholarships for graduating seniors and former students still enrolled in college. These scholarships are provided from public donations and from earnings on investment of the corpus.

Agency Funds account for the activities of funds which are the property of student groups.

D. Interfund Receivables and Payables

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

E. Receivables and Payables

Receivables are stated at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

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

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

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Prepayments

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures in both government-wide and fund financial statements.

G. Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings and Improvements | 10-50 |
| Vehicles | 5-10 |
| Furniture and Equipment | 5-10 |

H. Restricted Assets

Restricted assets consist of cash held to provide scholarships for graduating seniors and former students still in college.

I. Long-Term Obligations

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

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Pensions

In accordance with accounting guidance prescribed by GASB Statement No. 68, 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.

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

K. Other Postemployment Benefits (OPEB)

In accordance with accounting guidance prescribed by GASB Statement No. 75, the fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment 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.

L. Compensated Absences

The District's policy does not permit employees to accumulate unused vacation and sick leave to be paid to the employees upon separation from service.

M. Net Position on the Statement of Net Position

Net position on the statement of net position includes the following:

Net Investment in Capital Assets - This component of net position represents the difference between capital assets net of accumulated depreciation and the outstanding balance of debt, excluding any unspent debt proceeds, which is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Federal and State Programs – This component of net position represents the balance of the Food Service Fund.

Restricted for Debt Service - This component of net position represents the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

Unrestricted - This is the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources that is not reported as Net Investment in Capital Assets, Restricted for Federal and State Programs, and Restricted for Debt Service.

N. Fund Balances

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through formal action by the Board of Trustees.

Assigned - Amounts that are intended for a specific purpose but do not meet the definition of restricted or committed. The intent can be expressed by the Board of Trustees or by a Board designee.

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

N. Fund Balances - Continued

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

In the General Fund, the District strives to maintain a yearly fund balance in the general operating fund in which the total fund balance is three months of operating expenditures which includes unassigned fund balance of three months of operating expenditures.

O. Property Tax Revenues

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

The District recognizes as tax revenues those taxes that are measurable and available. Measurable means the amount can be determined, and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within the current period.

Taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles are based upon historical experience. 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.

P. Interfund Transfers

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget

Formal budgetary accounting is employed for all required governmental fund types and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles.

The official school budget is prepared for adoption for required governmental fund types 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.

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget - Continued

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund, and the Food Service Special Revenue Fund. The remaining Special Revenue Funds and the Capital Projects Fund 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 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.

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

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

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits and investments in certificates of deposit may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The District is not exposed to custodial credit risk for its deposits since they are covered by depository insurance and pledged securities held by a third party in the District's name.

Concentration of Credit Risk: The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. The District is not exposed to this risk as described in the preceding paragraph.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At August 31, 2020, the District was not significantly exposed to credit risk.

Interest Rate Risk: The District's investment policy limits its investment portfolio to maturities of one year or less as a means of limiting its exposure to fair value losses arising from fluctuating interest rates.

Foreign Currency Risk: Not applicable

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

B. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from other governments are summarized as follows:

| | <u>State Entitlements</u> | <u>Federal Grants</u> | <u>Other</u> | <u>Total</u> |
|-----------------------|-------------------------------|---------------------------|-------------------|-------------------|
| General Fund | \$ 249,245 | \$ 0 | \$ 128,325 | \$ 377,570 |
| Special Revenue Funds | 67,872 | 239,956 | 0 | 307,828 |
| Debt Service Fund | <u>0</u> | <u>0</u> | <u>42,490</u> | <u>42,490</u> |
| Totals | <u>\$ 317,117</u> | <u>\$ 239,956</u> | <u>\$ 170,815</u> | <u>\$ 727,888</u> |

C. Interfund Balances and Transfers

1. The following is a summary of amounts due from and due to other funds:

| | <u>Due From</u> | <u>Due To</u> | <u>Purpose</u> |
|-----------------------------|-------------------|-------------------|-------------------|
| General Fund | | | |
| Capital Projects Fund | \$ 0 | \$ 41,656 | Operating Advance |
| Nonmajor Governmental Funds | <u>149,389</u> | <u>0</u> | Operating Advance |
| | <u>\$ 149,389</u> | <u>\$ 41,656</u> | |
| Capital Projects Fund | | | |
| General Fund | <u>\$ 41,656</u> | <u>\$ 0</u> | Operating Advance |
| Nonmajor Governmental Funds | | | |
| General Fund | \$ 0 | \$ 149,389 | Operating Advance |
| Nonmajor Governmental Funds | <u>45,255</u> | <u>45,255</u> | Operating Advance |
| | <u>\$ 45,255</u> | <u>\$ 194,644</u> | |
| Totals | <u>\$ 236,300</u> | <u>\$ 236,300</u> | |

All amounts due are expected to be repaid within one year.

2. Interfund transfers consist of the following:

| <u>Transfers From</u> | <u>Transfers To</u> | <u>Amount</u> | <u>Purpose</u> |
|-----------------------|-----------------------------|-------------------|-----------------------|
| General Fund | Nonmajor Governmental Funds | <u>\$ 130,316</u> | To Cover Fund Deficit |

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Capital Assets

Capital asset activity for the year ended August 31, 2020, was as follows:

| <u>Governmental Activities</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|------------------|---------------------------|
| Capital Assets | | | | |
| Land | \$ 574,745 | \$ 0 | \$ 0 | \$ 574,745 |
| Buildings and Improvements | 37,503,520 | 5,283 | 0 | 37,508,803 |
| Furniture and Equipment | 3,701,228 | 119,427 | 0 | 3,820,655 |
| Construction in Progress | <u>177,625</u> | <u>3,202,094</u> | <u>0</u> | <u>3,379,719</u> |
| Total Capital Assets | <u>\$ 41,957,118</u> | <u>\$ 3,326,804</u> | <u>\$ 0</u> | <u>\$ 45,283,922</u> |
| Less Accumulated Depreciation | | | | |
| Buildings and Improvements | \$ (18,088,480) | \$ (770,076) | \$ 0 | \$ (18,858,556) |
| Furniture and Equipment | <u>(2,809,937)</u> | <u>(166,956)</u> | <u>0</u> | <u>(2,976,893)</u> |
| Total Accumulated Depreciation | <u>\$ (20,898,417)</u> | <u>\$ (937,032)</u> | <u>\$ 0</u> | <u>\$ (21,835,449)</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 21,058,701</u> | <u>\$ 2,389,772</u> | <u>\$ 0</u> | <u>\$ 23,448,473</u> |

Depreciation expense was charged to governmental activities functions as follows:

| | |
|--|-------------------|
| Instruction | \$ 579,779 |
| Instructional Resources and Media Services | 11,868 |
| Curriculum and Instructional Staff Development | 3,451 |
| Instructional Leadership | 14,033 |
| School Leadership | 67,330 |
| Guidance, Counseling, and Evaluation Services | 73,326 |
| Social Work Services | 5,056 |
| Health Services | 13,641 |
| Student (Pupil) Transportation | 23,803 |
| Food Services | 19,422 |
| Extracurricular Activities | 49,379 |
| General Administration | 40,012 |
| Facilities Maintenance and Operations | 23,214 |
| Data Processing Services | <u>12,718</u> |
| Total | <u>\$ 937,032</u> |

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

E. Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of a government's net position (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period.

A deferred inflow of resources is an acquisition of a government's net position (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period

Deferred outflows and inflows of resources are reported as described below:

Deferred Outflows (Statement of Net Position)

Deferred loss on bond refunding, which is amortized over the life of the refunding bonds.

District's proportionate share of Teacher Retirement System of Texas (TRS) pension plan deferred outflows as detailed in financial statement footnote IV., A.

District's proportionate share of Teacher Retirement System of Texas (TRS) OPEB plan deferred outflows as detailed in financial statement footnote IV., B.

Deferred Inflows (Statement of Net Position)

District's proportionate share of Teacher Retirement System of Texas (TRS) pension plan deferred inflows as detailed in financial statement footnote IV., A.

District's proportionate share of Teacher Retirement System of Texas (TRS) OPEB plan deferred inflows as detailed in financial statement footnote IV., B.

Deferred Inflows (Balance Sheet - Governmental Funds)

Unavailable revenue - property taxes.

F. Due to Other Governments

Amounts due to other governments are summarized as follows:

| | |
|---------------------------|-------------------------|
| | <u>General Fund</u> |
| Due to State - Foundation | <u>\$ 901,457</u> |

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

G. Unearned Revenue

Unearned revenue at year end consisted of the following:

| | Special Revenue Funds |
|--------------|-----------------------------|
| State Grants | \$ 18,948 |

H. Commitments Under Noncapitalized Leases

Commitments under operating lease agreements for equipment provide for minimum future rental payments as of August 31, 2020, as follows:

| Year Ending August 31, | |
|---------------------------|------------|
| 2021 | \$ 61,028 |
| 2022 | 56,005 |
| 2023 | 52,270 |
| 2024 | 49,169 |
| 2025 | 12,105 |
| Total Minimum Rentals | \$ 230,577 |

Rental expenditures during the year ended August 31, 2019, were \$97,877.

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

I. Long-Term Debt

The District's long-term liabilities consist of bonded indebtedness, bond premiums, net pension liability, and net other postemployment benefits liability. The current requirements for general obligation bonds principal and interest are accounted for in the Debt Service Fund. The current requirements for the net pension liability and net other postemployment benefits liability are accounted for in the General and Special Revenue Funds.

The following is a summary of changes in long-term debt for the year ended August 31, 2020:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|---------------------|---------------------|----------------------|------------------------|
| <u>Governmental Activities</u> | | | | | |
| Unlimited Tax Refunding Bonds - Series 2005 | \$ 180,000 | \$ 0 | \$ 60,000 | \$ 120,000 | \$ 60,000 |
| Unlimited Tax Refunding Bonds - Series 2008 | 1,775,000 | 0 | 570,000 | 1,205,000 | 590,000 |
| Unlimited Tax Refunding Bonds - Series 2015 | 12,020,000 | 0 | 235,000 | 11,785,000 | 240,000 |
| Unlimited Tax School Building Bonds - Series 2019 | 3,330,000 | 0 | 270,000 | 3,060,000 | 255,000 |
| Bond Premium - Series 2005 | 2,976 | 0 | 993 | 1,983 | - |
| Bond Premium - Series 2008 | 9,340 | 0 | 3,114 | 6,226 | - |
| Bond Premium - Series 2015 | 938,673 | 0 | 52,636 | 886,037 | - |
| Bond Premium - Series 2019 | 106,206 | 0 | 13,803 | 92,403 | - |
| | <u>\$ 18,362,195</u> | <u>\$ 0</u> | <u>\$ 1,205,546</u> | <u>\$ 17,156,649</u> | <u>\$ 1,145,000</u> |
| Subtotals | \$ 18,362,195 | \$ 0 | \$ 1,205,546 | \$ 17,156,649 | \$ 1,145,000 |
| Net Pension Liability | 3,781,677 | 1,100,189 | 826,535 | 4,055,331 | - |
| Net OPEB Liability | 5,308,539 | 1,349,652 | 948,780 | 5,709,411 | - |
| | <u>\$ 27,452,411</u> | <u>\$ 2,449,841</u> | <u>\$ 2,980,861</u> | <u>\$ 26,921,391</u> | <u>\$ 1,145,000</u> |
| Totals | <u>\$ 27,452,411</u> | <u>\$ 2,449,841</u> | <u>\$ 2,980,861</u> | <u>\$ 26,921,391</u> | <u>\$ 1,145,000</u> |

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

I. Long-Term Debt - Continued

The District's outstanding bond issues, which are payable from the Debt Service Fund, are as follows:

| | |
|--|-----------------------------|
| Brady Independent School District Unlimited Tax Refunding Bonds, Series 2005. Issued to partially refund the Unlimited Tax School Building Bonds, Series 1997. Issued in the original amount of \$2,385,000. Due in variable installments through February 15, 2022, with an interest rate of 3.87%. ¹ | \$ 120,000 |
| Brady Independent School District Unlimited Tax Refunding Bonds, Series 2008. Issued to partially refund the Unlimited Tax School Building Bonds, Series 1999. Issued in the original amount of \$5,040,000. Due in variable installments through February 15, 2022, with an interest rate of 3.53%. ¹ | 1,205,000 |
| Brady Independent School District Unlimited Tax Refunding Bonds, Series 2015. Issued to partially refund the Unlimited Tax School Building Bonds, Series 1999 and 2007. Issued in the original amount of \$12,850,000. Due in variable installments through August 15, 2037, with interest rates of 2% to 5%. ¹ | 11,785,000 |
| Brady Independent School District Unlimited Tax School Building Bonds, Series 2019. Issued for school building construction and improvements in the original amount of \$3,330,000. Due in variable installments through February 15, 2027, with interest rates 2.75% to 3.25%. ¹ | <u>3,060,000</u> |
| Total Bonds Payable | <u><u>\$ 16,170,000</u></u> |

¹ During each year while bonds are outstanding, the District is required to levy and collect sufficient ad valorem taxes to provide for the payment of principal and interest as it becomes due. In the event of default by the District in the payment of the bonds, registered owners will receive all payments due on the bonds from the corpus of the Permanent School Fund (PSF). In the case of required payment by the PSF, the Comptroller will withhold the amount paid, plus interest, under guarantee, from the first state money payable to the District in the following order: foundation school fund, available school fund. In the event that two or more payments are made from the PSF on behalf of the District, the Commissioner shall request the Attorney General to institute legal action to compel the District and its officers, agents, and employees to comply with the duties required of them by law in respect to the payment of the guaranteed bonds.

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

I. Long-Term Debt - Continued

The combined annual debt service requirements are as follows:

| Year Ending August 31, | Unlimited Tax Refunding Bonds | | Unlimited Tax School Building Bonds | | Total |
|---------------------------|----------------------------------|---------------------|--|-------------------|----------------------|
| | Principal | Interest | Principal | Interest | |
| 2021 | \$ 890,000 | \$ 561,706 | \$ 255,000 | \$ 84,812 | \$ 1,791,518 |
| 2022 | 920,000 | 528,516 | 235,000 | 77,463 | 1,760,979 |
| 2023 | 540,000 | 506,700 | 625,000 | 64,563 | 1,736,263 |
| 2024 | 570,000 | 479,700 | 615,000 | 46,731 | 1,711,431 |
| 2025 | 595,000 | 451,200 | 615,000 | 29,819 | 1,691,019 |
| 2026-2030 | 3,445,000 | 1,799,600 | 715,000 | 21,731 | 5,981,331 |
| 2031-2035 | 4,200,000 | 1,050,400 | 0 | 0 | 5,250,400 |
| 2036-2037 | 1,950,000 | 147,500 | 0 | 0 | 2,097,500 |
| Totals | <u>\$ 13,110,000</u> | <u>\$ 5,525,322</u> | <u>\$ 3,060,000</u> | <u>\$ 325,119</u> | <u>\$ 22,020,441</u> |

J. Outstanding Encumbrances

There were no outstanding encumbrances that were provided for in the subsequent year's budget.

K. Revenues from Local and Intermediate Sources

| | General Fund | Special Revenue Funds | Debt Service Fund | Capital Projects Fund | Total |
|---|---------------------|-----------------------------|-------------------------|-----------------------------|---------------------|
| Property Taxes | \$ 4,302,840 | \$ 0 | \$ 1,861,588 | \$ 0 | \$ 6,164,428 |
| Services Rendered to Other School Districts | 8,487 | 845,225 | 0 | 0 | 853,712 |
| Tuition and Fees | 7,725 | 0 | 0 | 0 | 7,725 |
| Chapter 313 Agreement | 868,462 | 0 | 0 | 0 | 868,462 |
| Other Local Sources | 145,315 | 15,704 | 30,984 | 32,510 | 224,513 |
| Cocurricular, Enterprising Services, or Activities | 40,428 | 155,973 | 0 | 0 | 196,401 |
| Totals | <u>\$ 5,373,257</u> | <u>\$ 1,016,902</u> | <u>\$ 1,892,572</u> | <u>\$ 32,510</u> | <u>\$ 8,315,241</u> |

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

Plan Description - The Brady Independent School District participates in a cost-sharing multiple-employer defined benefit pension plan 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.

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

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

Benefits Provided - TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension benefits are established or amended under the authority of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The Board of Trustees does not have the authority to establish or amend benefits. State law requires the plan to be actuarially sound in order for the Legislature to consider a benefit enhancement, such as supplemental payment to the retirees. 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. These increases immediately made the pension fund actuarially sound and the Legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018, received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

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

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same: Senate Bill 12 in the 86th Legislature set higher contribution rates for fiscal year 2020 and fiscal year 2021. Beginning September 1, 2019, all employers are required to pay the Public Education Employer contribution of 1.5%. This “surcharge” was previously only charged to employers not participating in social security.

| | Contribution Rates | |
|--|--------------------|-------------|
| | <u>2019</u> | <u>2020</u> |
| Member | 7.7% | 7.7% |
| Non-Employer Contributing Entity (State) | 6.8% | 7.5% |
| Employers | 6.8% | 7.5% |
| | | |
| District's 2020 Employer Contributions | | \$ 316,307 |
| District's 2020 Member Contributions | | 691,582 |
| District's 2019 NECE On-Behalf Contributions | | 932,663 |

Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources or a privately sponsored source.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- Employers must contribute 1.5% of the member’s salary (“the Public Education Employer Surcharge”).

Actuarial Assumptions -

Roll Forward - A change was made in the measurement date of the total pension liability for the 2019 measurement year. The actuarial valuation was performed as of August 31, 2018. Update procedures were used to roll forward the total pension liability to August 31, 2019.

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2018, and were adopted in July 2018.

The active mortality rates were based on 90% of the RP 2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables.

The following table discloses the assumptions that were applied to this measurement period:

| | |
|--|--|
| Valuation Date | August 31, 2018 Rolled Forward to August 31, 2019 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Market Value |
| Single Discount Rate | 7.25% |
| Long-Term Expected Rate | 7.25% |
| Municipal Bond Rate as of August 2019 | 2.63%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index. |
| Last Year Ending August 31 in Projection Period (100 Years) | 2116 |
| Inflation | 2.30% |
| Salary Increases | 3.05% to 9.05% Including Inflation |
| Ad hoc Postemployment Benefit Changes | None |

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

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Discount Rate - The single discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the statutorily required rates set by the Legislature during the 2019 legislative session. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

| <u>Asset Class</u> | <u>FY 2019 Target Allocation¹</u> | <u>New Target Allocation²</u> | <u>Long-Term Expected Geometric Real Rate of Return³</u> |
|---|--|--|---|
| Global Equity | | | |
| USA | 18.00% | 18.00% | 6.40% |
| Non-U.S. Developed | 13.00% | 13.00% | 6.30% |
| Emerging Markets | 9.00% | 9.00% | 7.30% |
| Directional Hedge Funds | 4.00% | 0.00% | 0.00% |
| Private Equity | 13.00% | 14.00% | 8.40% |
| Stable Value | | | |
| U.S. Treasuries ⁴ | 11.00% | 16.00% | 3.10% |
| Stable Value Hedge Funds | 4.00% | 5.00% | 4.50% |
| Absolute Return (Including Credit Sensitive Investments) | 0.00% | 0.00% | 0.00% |
| Real Return | | | |
| Global Inflation-Linked Bonds ⁴ | 3.00% | 0.00% | 0.00% |
| Real Estate | 14.00% | 15.00% | 8.50% |
| Energy, Natural Resources, and Infrastructure | 5.00% | 6.00% | 7.30% |
| Commodities | 0.00% | 0.00% | 0.00% |
| Risk Parity | | | |
| Risk Parity | 5.00% | 8.00% | 5.8/6.5% ⁵ |
| Asset Allocation Leverage Cash | 1.00% | 2.00% | 2.50% |
| Asset Allocation Leverage | 0.00% | -6.00% | 2.70% |
| Expected Return | | 7.23% | |

¹ FY 2019 Target Allocation based on the Strategic Asset Allocation dated October 1, 2018.

² New Target Allocation based on the Strategic Asset Allocation dated October 1, 2019.

³ 10-year annualized geometric nominal returns include the real rate of return and inflation of 2.1%.

⁴ New Target Allocation groups Government Bonds within the Stable Value Allocation. This includes global sovereign nominal and inflation-linked bonds.

⁵ 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility.

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the 2019 net pension liability:

| | 1% Decrease in Discount Rate (6.25%) | Discount Rate (7.25%) | 1% Increase in Discount Rate (8.25%) |
|--|--|--------------------------|--|
| District's Proportionate Share of the Net Pension Liability | \$ 6,233,633 | \$ 4,055,331 | \$ 2,290,486 |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At August 31, 2020, the Brady Independent School District reported a net pension liability of \$4,055,331 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|--|--------------|
| District's Proportionate Share of the Collective Net Pension Liability | \$ 4,055,331 |
| State's Proportionate Share that is Associated with the District | 5,937,278 |
| Total | \$ 9,992,609 |

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

At August 31, 2019, the employer's proportion of the collective net pension liability was 0.0078012456% which was an increase of 0.0009307683% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation - Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2019, was developed using a roll-forward method from the August 31, 2018 valuation.
- The single discount rate as of August 31, 2018, was a blended rate of 6.907%, and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of Senate Bill 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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

For the year ended August 31, 2020, the Brady Independent School District recognized pension expense of \$932,663 and revenue of \$932,663 for support provided by the State in the government-wide statement of activities.

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences Between Expected and Actual Actuarial Experience | \$ 17,036 | \$ 140,808 |
| Changes in Actuarial Assumptions | 1,258,163 | 519,932 |
| Net Difference Between Projected and Actual Investment Earnings | 40,720 | - |
| Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions | 552,109 | 124,383 |
| Contributions Paid to TRS Subsequent to the Measurement Date | <u>316,307</u> | <u>-</u> |
| Totals | <u>\$ 2,184,335</u> | <u>\$ 785,123</u> |

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending August 31,</u> | <u>Pension Expense Amount</u> |
|-----------------------------------|---------------------------------------|
| 2021 | \$ 276,589 |
| 2022 | 227,012 |
| 2023 | 249,948 |
| 2024 | 241,242 |
| 2025 | 105,394 |
| Thereafter | (17,280) |

B. Defined Other Postemployment Benefit Plans

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

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

OPEB Plan Fiduciary Net Position - Detailed information about the TRS-Care’s fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided - TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers, and other educational districts who are members of the TRS pension plan. Eligible non-Medicare retirees and their dependents may pay premiums to participate in the high-deductible health plans. Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plans. Eligible Medicare retirees and their dependents may enroll in TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system.

The General Appropriations Act passed by the 86th Legislature included funding to maintain TRS-Care premiums at their current level through 2021. The 86th Legislature also passed Senate Bill 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures.

The premium rates for retirees are presented in the following table:

TRS-Care Monthly Premium Rates

| | Medicare | Non-Medicare |
|--|----------|--------------|
| 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 participating employers based on active employee compensation. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

Texas Insurance Code, Section 1575.202 establishes the state’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.65% of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75% of each active employee’s pay for fiscal year 2019. The following table shows contributions to the TRS-Care plan by type of contributor:

| Contribution Rates | | |
|---|-------------|-------------|
| | <u>2019</u> | <u>2020</u> |
| Active Employee | 0.65% | 0.65% |
| Non-Employer Contributing Entity (State) | 1.25% | 1.25% |
| Employers | 0.75% | 0.75% |
| Federal/Private Funding Remitted by Employers | 1.25% | 1.25% |
| | | |
| District's 2020 Employer Contributions | | \$ 93,432 |
| District's 2020 Member Contributions | | 58,380 |
| District's 2019 NECE On-Behalf Contributions | | 199,950 |

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

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

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

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

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

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

Additional Actuarial Methods and Assumptions:

| | |
|---------------------------------------|--|
| Valuation Date | August 31, 2018 Rolled Forward to August 31, 2019 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Inflation | 2.30% |
| Single Discount Rate | 2.63% as of August 31, 2019 |
| Aging Factors | Based on Plan Specific Experience |
| Election Rates | Normal Retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65. |
| Expenses | Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs. |
| Projected Salary Increases | 3.05% to 9.05% Including Inflation |
| Ad hoc Postemployment Benefit Changes | None |

The impact of the Cadillac Tax that is returning in fiscal year 2023 has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.3%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

Discount Rate - A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

Sensitivity of the Net OPEB Liability

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the net OPEB liability:

| | <u>1% Decrease in Discount Rate (1.63%)</u> | <u>Discount Rate (2.63%)</u> | <u>1% Increase in Discount Rate (3.63%)</u> |
|---|---|----------------------------------|---|
| District's Proportionate Share of the Net OPEB Liability | <u>\$ 6,893,091</u> | <u>\$ 5,709,411</u> | <u>\$ 4,783,417</u> |

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

| | <u>1% Decrease</u> | <u>Current Healthcare Cost Trend Rate</u> | <u>1% Increase</u> |
|---|---------------------|---|---------------------|
| District's Proportionate Share of the Net OPEB Liability | <u>\$ 4,657,537</u> | <u>\$ 5,709,411</u> | <u>\$ 7,118,439</u> |

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs - At August 31, 2020, the Brady Independent School District reported a liability of \$5,709,411 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 | \$ 5,709,411 |
| State's Proportionate Share that is Associated with the District | <u>7,586,530</u> |
| Total | <u>\$ 13,295,941</u> |

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

At August 31, 2019, the employer's proportion of the collective net OPEB liability was 0.0120728759% which was an increase of 0.0014411083% from its proportion measured as of August 31, 2018.

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

Changes in Actuarial Assumptions Since the Prior Actuarial Valuation - The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period:

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

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

For the year ended August 31, 2020, the Brady Independent School District recognized OPEB expense of \$199,950 and revenue of \$199,950 for support provided by the State.

At August 31, 2020, the Brady Independent School District reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Actuarial Experience | \$ 280,095 | \$ 934,285 |
| Changes in Actuarial Assumptions | 317,113 | 1,535,691 |
| Net Difference Between Projected and Actual Investment Earnings | 616 | - |
| Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions | 797,473 | 643,642 |
| Contributions Paid to TRS Subsequent to the Measurement Date | 93,432 | - |
| Totals | \$ 1,488,729 | \$ 3,113,618 |

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

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

| <u>Year Ending August 31,</u> | <u>OPEB Expense Amount</u> |
|-----------------------------------|------------------------------------|
| 2021 | \$ (307,206) |
| 2022 | (307,206) |
| 2023 | (307,405) |
| 2024 | (307,519) |
| 2025 | (307,492) |
| Thereafter | (181,493) |

C. Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2020, August 31, 2019, and August 31, 2018, the subsidy payments received by TRS-Care on behalf of the District were \$42,260, \$30,337, and \$24,950, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements.

D. Health Care Coverage

The District and the SSA - Special Education Cooperative participate in TRS-Active Care sponsored by the Teacher Retirement System of Texas. TRS-Active Care (the Plan) provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. Authority for the Plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The Plan began operations on September 1, 2002. This is a premium-based plan. Payments are made on a monthly basis for all covered employees.

E. 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 fiscal year 2020, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

F. Property and Liability Programs

During the year ended August 31, 2020, the District participated in the TASB Risk Management Fund's (the Fund's) Property and Liability Programs.

The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

IV. OTHER INFORMATION - Continued

F. Property and Liability Programs - Continued

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property and Liability Programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2020, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2019, are available on the TASB Risk Management Fund website.

G. Unemployment Compensation Coverage

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

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2020, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2019, are available on the TASB Risk Management Fund website.

H. Workers' Compensation Insurance

During the year ended August 31, 2020, the District and the SSA - Special Education Cooperative met its statutory workers' compensation obligations 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 Workers' Compensation Program is authorized by Chapter 504 of the Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop-loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2019, the Fund carries a discounted reserve of \$45,439,534 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2020, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2019, are available on the TASB Risk Management Fund website.

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

IV. OTHER INFORMATION – Continued

I. 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, refunds of any money received may be required, and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

J. Tax Abatements

The Brady Independent School District's Board of Trustees approved an Agreement with Rattlesnake Power, LLC, for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code, i.e., the Texas Economic Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended. Rattlesnake Power, LLC, qualified for a tax limitation agreement under the Texas Tax Code §313.024(b)(5), as a renewable energy electric generation project.

Value limitation agreements are a part of a state program originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The project(s) under the Chapter 313 agreement must be consistent with the state's goal to "encourage large scale capital investments in this state." Chapter 313 of the Texas Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation, and data centers.

In order to qualify for a value limitation agreement, the applicant has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application's approval, the Agreement was found to have done so by both the District's Board of Trustees and the Texas Comptroller's Office, which recommended approval of the project. The application, the Agreement, and state reporting requirement documentation can be viewed at the Texas Comptroller's website: <https://www.comptroller.texas.gov/economy/local/ch313/agreement-docs.php>. The Agreement and all supporting documentation were assigned Texas Comptroller Application No. 1101.

After approval, the applicant company must maintain a viable presence in the District for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure relevant job, wage, and operational requirements are being met.

In the event that Rattlesnake Power, LLC, terminates its Agreement without the consent of the District, or in the event that the company or its successor-in-interest fails to comply in any material respect with the terms of the Agreement or to meet any material obligations under the Agreement, then the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of the Agreement, together with the payment of penalty and interest, on that recaptured ad valorem tax revenue. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

IV. OTHER INFORMATION - Continued

J. Tax Abatements - Continued

§33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code §33.01(c), or its successor statute. The Agreement provides an administrative procedure to determine any company liability. Ultimately, enforcement of any payment obligation is through the local state district court.

| Project Name | A Project Value 2019 | B Project's Value Limitation Amount 2019 | C Amount of Applicant's M&O Taxes Paid 2019 | D Amount of Applicant's M&O Taxes Reduced 2019 | E Company Revenue Loss Payment to School District 2019 | F Company Supplemental Payment to School District 2019 | G Net Benefit (Loss) to the School District 2019 (C+E+F) |
|-------------------------|----------------------------|---|---|--|---|---|---|
| Rattlesnake Power, LLC* | \$ 139,217,550 | \$ 25,000,000 | \$ 242,500 | \$ 1,107,910 | \$ 683,830 | \$ 169,632 | \$ 1,095,962 |

* First year of value limitation was 2018

K. Shared Services Arrangements

The Brady Independent School District is the fiscal agent for a shared services arrangement which provides special education services to member districts, which are listed in the table below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. The District has accounted for the agent's activities of the shared services arrangement in Special Revenue Fund 437. This shared services arrangement does not accumulate significant financial resources. Member contributions/expenditures are summarized as follows:

| | |
|--|-------------------|
| Brady Independent School District | \$ 324,868 |
| Cherokee Independent School District | 56,423 |
| Lohn Independent School District | 47,186 |
| Richland Springs Independent School District | 67,724 |
| Rochelle Independent School District | 84,224 |
| San Saba Independent School District | <u>224,955</u> |
| Total | <u>\$ 805,380</u> |

The Brady Independent School District participates in a shared services arrangement with other school districts. The 21st Century Community Learning Centers grant is designed to provide before and after school programs that will promote the individual school districts needs as discovered through their needs assessments. The Lometa Independent School District is the fiscal agent manager and is responsible for all financial activities of the shared services arrangement.

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2020

IV. OTHER INFORMATION - Continued

L. Adjustments to Net Position/Fund Balances

The financial statements reflect the following prior period adjustments:

| | Net Position <u>Exhibit B-1</u> | Fund Balances <u>Exhibit C-3</u> |
|------------------------------------|---------------------------------------|--|
| General Fund | | |
| Foundation Adjustment | \$ 1,488 | \$ 1,488 |
| Debit Service Fund | | |
| EDA Allotment Adjustment 2018-2019 | <u>2,799</u> | <u>2,799</u> |
| Totals | <u>\$ 4,287</u> | <u>\$ 4,287</u> |

M. Subsequent Events

The District's management has evaluated subsequent events through December 7, 2020, the date which the financial statements were available for issue.

Required Supplementary Information

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

| Data Control Codes | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|--|------------------|--------------|--------------------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ 4,482,055 | \$ 5,357,239 | \$ 5,373,257 | \$ 16,018 |
| 5800 State Program Revenues | 8,135,821 | 7,557,088 | 7,027,047 | (530,041) |
| 5900 Federal Program Revenues | 14,000 | 14,000 | - | (14,000) |
| 5020 Total Revenues | 12,631,876 | 12,928,327 | 12,400,304 | (528,023) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 6,639,921 | 6,536,022 | 6,533,186 | 2,836 |
| 0012 Instructional Resources and Media Services | 189,712 | 192,212 | 184,895 | 7,317 |
| 0013 Curriculum and Instructional Staff Development | 151,394 | 178,794 | 173,794 | 5,000 |
| 0021 Instructional Leadership | 51,100 | 42,400 | 13,654 | 28,746 |
| 0023 School Leadership | 854,325 | 875,734 | 861,937 | 13,797 |
| 0031 Guidance, Counseling, and Evaluation Services | 236,036 | 230,536 | 226,580 | 3,956 |
| 0032 Social Work Services | 500 | 500 | 111 | 389 |
| 0033 Health Services | 142,483 | 173,883 | 171,299 | 2,584 |
| 0034 Student (Pupil) Transportation | 553,532 | 638,532 | 485,551 | 152,981 |
| 0035 Food Services | 26,100 | 29,600 | 20,721 | 8,879 |
| 0036 Extracurricular Activities | 983,474 | 1,009,793 | 891,926 | 117,867 |
| 0041 General Administration | 663,867 | 715,249 | 671,656 | 43,593 |
| 0051 Facilities Maintenance and Operations | 1,296,069 | 1,410,569 | 1,338,391 | 72,178 |
| 0052 Security and Monitoring Services | 11,200 | 71,481 | 27,734 | 43,747 |
| 0053 Data Processing Services | 225,291 | 259,291 | 209,505 | 49,786 |
| 0061 Community Services | 800 | 800 | 313 | 487 |
| Intergovernmental: | | | | |
| 0093 Payments to Fiscal Agent/Member Districts of SSA | 368,591 | 418,591 | 357,294 | 61,297 |
| 0099 Other Intergovernmental Charges | 191,444 | 201,444 | 177,373 | 24,071 |
| 6030 Total Expenditures | 12,585,839 | 12,985,431 | 12,345,920 | 639,511 |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | 46,037 | (57,104) | 54,384 | 111,488 |
| OTHER FINANCING SOURCES (USES): | | | | |
| 7912 Sale of Real and Personal Property | 4,000 | 4,000 | - | (4,000) |
| 8911 Transfers Out (Use) | (50,037) | (130,337) | (130,316) | 21 |
| 7080 Total Other Financing Sources (Uses) | (46,037) | (126,337) | (130,316) | (3,979) |
| 1200 Net Change in Fund Balances | - | (183,441) | (75,932) | 107,509 |
| 0100 Fund Balance - September 1 (Beginning) | 6,043,448 | 6,043,448 | 6,043,448 | - |
| 1300 Increase (Decrease) in Fund Balance | - | - | 1,488 | 1,488 |
| 3000 Fund Balance - August 31 (Ending) | \$ 6,043,448 | \$ 5,860,007 | \$ 5,969,004 | \$ 108,997 |

BRADY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2020

| | FY 2020 Plan Year 2019 | FY 2019 Plan Year 2018 | FY 2018 Plan Year 2017 |
|--|---------------------------|---------------------------|---------------------------|
| District's Proportion of the Net Pension Liability (Asset) | 0.007801246% | 0.006870477% | 0.007353689% |
| District's Proportionate Share of Net Pension Liability (Asset) | \$ 4,055,331 | \$ 3,781,677 | \$ 2,351,313 |
| State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District | 5,937,278 | 6,677,776 | 4,196,517 |
| Total | <u>\$ 9,992,609</u> | <u>\$ 10,459,453</u> | <u>\$ 6,547,830</u> |
| District's Covered Payroll | \$ 8,355,033 | \$ 7,852,938 | \$ 7,973,967 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | 48.54% | 48.16% | 29.49% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.24% | 73.74% | 82.17% |

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

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

| <u>FY 2017</u> <u>Plan Year 2016</u> | <u>FY 2016</u> <u>Plan Year 2015</u> | <u>FY 2015</u> <u>Plan Year 2014</u> |
|---|---|---|
| 0.007224102% | 0.0076723% | 0.0045422% |
| \$ 2,729,881 | \$ 2,712,056 | \$ 1,213,284 |
| 5,181,608 | 4,980,648 | 4,281,893 |
| <u>\$ 7,911,489</u> | <u>\$ 7,692,704</u> | <u>\$ 5,495,177</u> |
| \$ 7,757,155 | \$ 7,589,807 | \$ 7,262,718 |
| 35.19% | 35.73% | 16.71% |
| 78.00% | 78.43% | 83.25% |

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

| | 2020 | 2019 | 2018 |
|---|--------------|--------------|--------------|
| Contractually Required Contribution | \$ 316,307 | \$ 273,704 | \$ 221,931 |
| Contribution in Relation to the Contractually Required Contribution | (316,307) | (273,704) | (221,931) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - |
| District's Covered Payroll | \$ 9,216,304 | \$ 8,335,033 | \$ 7,852,938 |
| Contributions as a Percentage of Covered Payroll | 3.43% | 3.28% | 2.83% |

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

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

| | 2017 | 2016 | 2015 |
|----|-----------|--------------|--------------|
| \$ | 230,834 | \$ 229,528 | \$ 227,139 |
| | (230,834) | (229,528) | (227,139) |
| \$ | - | \$ - | \$ - |
| \$ | 7,973,967 | \$ 7,757,155 | \$ 7,589,807 |
| | 2.89% | 2.96% | 2.99% |

BRADY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2020

| | FY 2020 Plan Year 2019 | FY 2019 Plan Year 2018 | FY 2018 Plan Year 2017 |
|---|---------------------------|---------------------------|---------------------------|
| District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits | 0.012072876% | 0.010631768% | 0.0119717% |
| District's Proportionate Share of Net OPEB Liability (Asset) | \$ 5,709,411 | \$ 5,308,539 | \$ 5,206,043 |
| State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District | 7,586,530 | 6,396,265 | 5,905,281 |
| Total | <u>\$ 13,295,941</u> | <u>\$ 11,704,804</u> | <u>\$ 11,111,324</u> |
| District's Covered Payroll | \$ 8,355,033 | \$ 7,852,938 | \$ 7,973,967 |
| District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll | 68.33% | 67.60% | 65.29% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 2.66% | 1.57% | 0.91% |

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

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

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

| | 2020 | 2019 | 2018 |
|---|--------------|--------------|--------------|
| Contractually Required Contribution | \$ 93,432 | \$ 85,725 | \$ 74,076 |
| Contribution in Relation to the Contractually Required Contribution | (93,432) | (85,725) | (74,076) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - |
| District's Covered Payroll | \$ 9,216,304 | \$ 8,335,033 | \$ 7,852,938 |
| Contributions as a Percentage of Covered Payroll | 1.01% | 1.03% | 0.94% |

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

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

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Required Supplementary Information
August 31, 2020

Note A - TRS Pension Plan

Changes of Benefit Terms

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

Changes of Assumptions

There were no changes in the actuarial assumptions used in the determination of the total pension liability during the measurement period.

The single discount rate as of August 31, 2018, was a blended rate of 6.907%, and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.

With the enactment of Senate Bill 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries.

Note B - TRS OPEB Plan

Changes of Benefit Terms

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

Changes of Assumptions

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

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

Other Supplementary Information

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

| Data Control Codes | 205 Head Start | 211 ESEA I, A Improving Basic Program | 240 National Breakfast and Lunch Program |
|---|-----------------------|--|---|
| ASSETS | | | |
| 1110 Cash and Cash Equivalents | \$ - | \$ - | \$ 18,199 |
| 1240 Due from Other Governments | 8,798 | 82,440 | 8,863 |
| 1260 Due from Other Funds | - | - | 91 |
| 1290 Other Receivables | - | - | - |
| 1410 Prepayments | - | - | - |
| 1000 Total Assets | <u>\$ 8,798</u> | <u>\$ 82,440</u> | <u>\$ 27,153</u> |
| LIABILITIES | | | |
| 2110 Accounts Payable | \$ - | \$ - | \$ 195 |
| 2160 Accrued Wages Payable | 5,886 | 20,397 | 3,978 |
| 2170 Due to Other Funds | 2,272 | 60,289 | - |
| 2200 Accrued Expenditures | 640 | 1,754 | 83 |
| 2300 Unearned Revenue | - | - | - |
| 2000 Total Liabilities | <u>8,798</u> | <u>82,440</u> | <u>4,256</u> |
| FUND BALANCES | | | |
| Restricted Fund Balance: | | | |
| 3450 Federal or State Funds Grant Restriction | - | - | 22,897 |
| Committed Fund Balance: | | | |
| 3545 Other Committed Fund Balance | - | - | - |
| Assigned Fund Balance: | | | |
| 3590 Other Assigned Fund Balance | - | - | - |
| 3000 Total Fund Balances | <u>-</u> | <u>-</u> | <u>22,897</u> |
| 4000 Total Liabilities and Fund Balances | <u>\$ 8,798</u> | <u>\$ 82,440</u> | <u>\$ 27,153</u> |

| 244 Career and Technical - Basic Grant | 255 ESEA II,A Training and Recruiting | 265 Title IV, B Community Learning | 270 ESEA VI, Pt B Rural & Low Income | 289 ESEA IV, Pt A Subpart 1 | 313 SSA IDEA, Part B Formula | 314 SSA IDEA, Part B Preschool | 410 State Instructional Materials |
|---|--|---|---|-----------------------------------|---------------------------------------|---|--|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 10,395 | 2,235 | 32,909 | - | 5,250 | 88,731 | 334 | 43,599 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | 195 | - | - |
| - | - | - | - | - | - | - | - |
| <u>\$ 10,395</u> | <u>\$ 2,235</u> | <u>\$ 32,909</u> | <u>\$ -</u> | <u>\$ 5,250</u> | <u>\$ 88,926</u> | <u>\$ 334</u> | <u>\$ 43,599</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | 1,913 | - | - | 1,261 | 39,576 | 208 | - |
| 10,395 | 113 | 32,909 | - | 3,851 | 45,061 | 103 | 39,651 |
| - | 209 | - | - | 138 | 4,289 | 23 | - |
| - | - | - | - | - | - | - | 3,948 |
| <u>10,395</u> | <u>2,235</u> | <u>32,909</u> | <u>-</u> | <u>5,250</u> | <u>88,926</u> | <u>334</u> | <u>43,599</u> |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>\$ 10,395</u> | <u>\$ 2,235</u> | <u>\$ 32,909</u> | <u>\$ -</u> | <u>\$ 5,250</u> | <u>\$ 88,926</u> | <u>\$ 334</u> | <u>\$ 43,599</u> |

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

| Data Control Codes | 429 Other State Special Revenue Funds | 437 SSA Special Education | 459 SPED Fiscal Support Fund | 461 Campus Activity Funds |
|---|--|------------------------------------|---------------------------------------|------------------------------------|
| ASSETS | | | | |
| 1110 Cash and Cash Equivalents | \$ - | \$ 15,949 | \$ 15,000 | \$ 73,893 |
| 1240 Due from Other Governments | - | 24,274 | - | - |
| 1260 Due from Other Funds | - | - | - | - |
| 1290 Other Receivables | - | - | - | - |
| 1410 Prepayments | - | 175 | - | - |
| 1000 Total Assets | <u>\$ -</u> | <u>\$ 40,398</u> | <u>\$ 15,000</u> | <u>\$ 73,893</u> |
| LIABILITIES | | | | |
| 2110 Accounts Payable | \$ - | \$ 438 | \$ - | \$ - |
| 2160 Accrued Wages Payable | - | 34,837 | - | - |
| 2170 Due to Other Funds | - | - | - | - |
| 2200 Accrued Expenditures | - | 738 | - | - |
| 2300 Unearned Revenue | - | - | 15,000 | - |
| 2000 Total Liabilities | <u>-</u> | <u>36,013</u> | <u>15,000</u> | <u>-</u> |
| FUND BALANCES | | | | |
| Restricted Fund Balance: | | | | |
| 3450 Federal or State Funds Grant Restriction | - | - | - | - |
| Committed Fund Balance: | | | | |
| 3545 Other Committed Fund Balance | - | 4,385 | - | 73,893 |
| Assigned Fund Balance: | | | | |
| 3590 Other Assigned Fund Balance | - | - | - | - |
| 3000 Total Fund Balances | <u>-</u> | <u>4,385</u> | <u>-</u> | <u>73,893</u> |
| 4000 Total Liabilities and Fund Balances | <u>\$ -</u> | <u>\$ 40,398</u> | <u>\$ 15,000</u> | <u>\$ 73,893</u> |

| 499 Other SSA Special Revenue Funds | Total Nonmajor Governmental Funds |
|--|--|
| \$ 332,321 | \$ 455,362 |
| - | 307,828 |
| 45,164 | 45,255 |
| - | 195 |
| - | 175 |
| <u>\$ 377,485</u> | <u>\$ 808,815</u> |
| | |
| \$ 5,892 | \$ 6,525 |
| - | 108,056 |
| - | 194,644 |
| - | 7,874 |
| - | 18,948 |
| <u>5,892</u> | <u>336,047</u> |
| | |
| - | 22,897 |
| | |
| - | 78,278 |
| | |
| <u>371,593</u> | <u>371,593</u> |
| <u>371,593</u> | <u>472,768</u> |
| | |
| <u>\$ 377,485</u> | <u>\$ 808,815</u> |

BRADY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2020

| Data Control Codes | 205 Head Start | 211 ESEA I, A Improving Basic Program | 240 National Breakfast and Lunch Program |
|---|-----------------------|--|---|
| REVENUES: | | | |
| 5700 Total Local and Intermediate Sources | \$ - | \$ - | \$ 94,637 |
| 5800 State Program Revenues | - | - | 2,540 |
| 5900 Federal Program Revenues | 129,847 | 362,652 | 463,933 |
| 5020 Total Revenues | <u>129,847</u> | <u>362,652</u> | <u>561,110</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| 0011 Instruction | 104,432 | 154,541 | - |
| 0013 Curriculum and Instructional Staff Development | - | 15,959 | - |
| 0021 Instructional Leadership | - | - | - |
| 0031 Guidance, Counseling, and Evaluation Services | - | 155,303 | - |
| 0032 Social Work Services | 24,340 | 36,849 | - |
| 0035 Food Services | - | - | 677,610 |
| 0036 Extracurricular Activities | - | - | - |
| 0041 General Administration | - | - | - |
| 0051 Facilities Maintenance and Operations | 1,075 | - | 1,187 |
| 0053 Data Processing Services | - | - | - |
| 0061 Community Services | - | - | - |
| Intergovernmental: | | | |
| 0093 Payments to Fiscal Agent/Member Districts of SSA | - | - | - |
| 6030 Total Expenditures | <u>129,847</u> | <u>362,652</u> | <u>678,797</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | (117,687) |
| OTHER FINANCING SOURCES (USES): | | | |
| 7915 Transfers In | - | - | 130,316 |
| 1200 Net Change in Fund Balance | - | - | 12,629 |
| 0100 Fund Balance - September 1 (Beginning) | - | - | 10,268 |
| 3000 Fund Balance - August 31 (Ending) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 22,897</u> |

| 244 Career and Technical - Basic Grant | 255 ESEA II,A Training and Recruiting | 265 Title IV, B Community Learning | 270 ESEA VI, Pt B Rural & Low Income | 289 ESEA IV, Pt A Subpart 1 | 313 SSA IDEA, Part B Formula | 314 SSA IDEA, Part B Preschool | 410 State Instructional Materials |
|---|--|---|---|-----------------------------------|---------------------------------------|---|--|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | 102,602 |
| 23,080 | 32,459 | 287,482 | 7,682 | 21,346 | 558,593 | 18,706 | - |
| 23,080 | 32,459 | 287,482 | 7,682 | 21,346 | 558,593 | 18,706 | 102,602 |
| 23,080 | 24,977 | 287,482 | 7,682 | 21,346 | 225,903 | 18,590 | 102,602 |
| - | 7,482 | - | - | - | 2,560 | - | - |
| - | - | - | - | - | 75 | - | - |
| - | - | - | - | - | 248,024 | 116 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | 1,866 | - | - |
| - | - | - | - | - | 165 | - | - |
| - | - | - | - | - | 80,000 | - | - |
| 23,080 | 32,459 | 287,482 | 7,682 | 21,346 | 558,593 | 18,706 | 102,602 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

BRADY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2020

| Data Control Codes | 429 Other State Special Revenue Funds | 437 SSA Special Education | 459 SPED Fiscal Support Fund | 461 Campus Activity Funds |
|--|--|------------------------------------|---------------------------------------|------------------------------------|
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ - | \$ 851,655 | \$ - | \$ 70,610 |
| 5800 State Program Revenues | 700 | - | - | - |
| 5900 Federal Program Revenues | - | - | - | - |
| 5020 Total Revenues | <u>700</u> | <u>851,655</u> | <u>-</u> | <u>70,610</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | - | 359,238 | - | - |
| 0013 Curriculum and Instructional Staff Development | 700 | - | - | - |
| 0021 Instructional Leadership | - | 167,357 | - | - |
| 0031 Guidance, Counseling, and Evaluation Services | - | 301,624 | - | - |
| 0032 Social Work Services | - | - | - | - |
| 0035 Food Services | - | - | - | - |
| 0036 Extracurricular Activities | - | - | - | 52,075 |
| 0041 General Administration | - | 5,500 | - | - |
| 0051 Facilities Maintenance and Operations | - | 5,064 | - | - |
| 0053 Data Processing Services | - | 8,487 | - | - |
| 0061 Community Services | - | - | - | - |
| Intergovernmental: | | | | |
| 0093 Payments to Fiscal Agent/Member Districts of SSA | - | - | - | - |
| 6030 Total Expenditures | <u>700</u> | <u>847,270</u> | <u>-</u> | <u>52,075</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | - | 4,385 | - | 18,535 |
| OTHER FINANCING SOURCES (USES): | | | | |
| 7915 Transfers In | - | - | - | - |
| 1200 Net Change in Fund Balance | - | 4,385 | - | 18,535 |
| 0100 Fund Balance - September 1 (Beginning) | - | - | - | 55,358 |
| 3000 Fund Balance - August 31 (Ending) | <u>\$ -</u> | <u>\$ 4,385</u> | <u>\$ -</u> | <u>\$ 73,893</u> |

| 499 Other SSA Special Revenue Funds | Total Nonmajor Governmental Funds |
|--|--|
| \$ - | \$ 1,016,902 |
| - | 105,842 |
| <u>64,385</u> | <u>1,970,165</u> |
| <u>64,385</u> | <u>3,092,909</u> |
| | |
| 792 | 1,330,665 |
| - | 26,701 |
| 21,244 | 188,676 |
| 331 | 705,398 |
| - | 61,189 |
| - | 677,610 |
| - | 52,075 |
| 10,515 | 16,015 |
| 22,332 | 29,658 |
| - | 10,353 |
| - | 165 |
| - | 80,000 |
| <u>55,214</u> | <u>3,178,505</u> |
| 9,171 | (85,596) |
| | |
| - | 130,316 |
| 9,171 | 44,720 |
| <u>362,422</u> | <u>428,048</u> |
| <u>\$ 371,593</u> | <u>\$ 472,768</u> |

Required TEA Schedules

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

| Last 10 Years Ended August 31 | (1) | (2) | (3) |
|----------------------------------|-------------|--------------|--|
| | Tax Rates | | Assessed/Appraised Value for School Tax Purposes |
| | Maintenance | Debt Service | |
| 2011 and prior years | Various | Various | \$ Various |
| 2012 | 1.040000 | 0.327500 | 376,576,660 |
| 2013 | 1.040000 | 0.365000 | 419,043,213 |
| 2014 | 1.040000 | 0.362800 | 444,843,457 |
| 2015 | 1.040000 | 0.323360 | 472,124,211 |
| 2016 | 1.040000 | 0.305200 | 472,922,316 |
| 2017 | 1.040000 | 0.323356 | 431,266,668 |
| 2018 | 1.040000 | 0.320609 | 442,624,222 |
| 2019 | 1.040000 | 0.259766 | 552,869,063 |
| 2020 (School year under audit) | 0.970000 | 0.327900 | 563,492,934 |
| 1000 TOTALS | | | |

The assessed value for maintenance and operations was \$437,467,830, and the assessed value for interest and sinking was \$563,492,934.

| (10) Beginning Balance 9/1/2019 | (20) Current Year's Total Levy | (31) Maintenance Collections | (32) Debt Service Collections | (40) Entire Year's Adjustments | (50) Ending Balance 8/31/2020 |
|--|---|------------------------------------|-------------------------------------|---|--|
| \$ 32,284 | \$ - | \$ - | \$ - | \$ (2,102) | \$ 30,182 |
| 2,782 | - | - | - | (9) | 2,773 |
| 2,825 | - | 7 | 2 | (10) | 2,806 |
| 5,301 | - | 294 | 103 | - | 4,904 |
| 5,596 | - | 424 | 132 | (204) | 4,836 |
| 8,225 | - | 1,088 | 319 | (142) | 6,676 |
| 10,634 | - | 2,775 | 894 | (819) | 6,146 |
| 27,596 | - | 11,055 | 3,545 | (1,268) | 11,728 |
| 94,639 | - | 50,388 | 13,091 | (7,449) | 23,711 |
| - | 6,091,131 | 4,161,301 | 1,819,138 | - | 110,692 |
| <u>\$ 189,882</u> | <u>\$ 6,091,131</u> | <u>\$ 4,227,332</u> | <u>\$ 1,837,224</u> | <u>\$ (12,003)</u> | <u>\$ 204,454</u> |

BRADY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2020

| Data Control Codes | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|---|------------------|------------|--------------------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ 146,102 | \$ 106,102 | \$ 94,637 | \$ (11,465) |
| 5800 State Program Revenues | 2,800 | 2,800 | 2,540 | (260) |
| 5900 Federal Program Revenues | 542,722 | 502,722 | 463,933 | (38,789) |
| 5020 Total Revenues | 691,624 | 611,624 | 561,110 | (50,514) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0035 Food Services | 739,661 | 748,661 | 677,610 | 71,051 |
| 0051 Facilities Maintenance and Operations | 2,000 | 2,000 | 1,187 | 813 |
| 6030 Total Expenditures | 741,661 | 750,661 | 678,797 | 71,864 |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | (50,037) | (139,037) | (117,687) | 21,350 |
| OTHER FINANCING SOURCES (USES): | | | | |
| 7915 Transfers In | - | 130,037 | 130,316 | 279 |
| 1200 Net Change in Fund Balances | (50,037) | (9,000) | 12,629 | 21,629 |
| 0100 Fund Balance - September 1 (Beginning) | 10,268 | 10,268 | 10,268 | - |
| 3000 Fund Balance - August 31 (Ending) | \$ (39,769) | \$ 1,268 | \$ 22,897 | \$ 21,629 |

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

| Data Control Codes | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|---|---------------------|---------------------|--------------------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ 1,781,389 | \$ 1,781,389 | \$ 1,892,572 | \$ 111,183 |
| 5800 State Program Revenues | 42,001 | 42,001 | 37,579 | (4,422) |
| 5900 Federal Program Revenues | 3,200 | 3,200 | - | (3,200) |
| 5020 Total Revenues | <u>1,826,590</u> | <u>1,826,590</u> | <u>1,930,151</u> | <u>103,561</u> |
| EXPENDITURES: | | | | |
| Debt Service: | | | | |
| 0071 Principal on Long-Term Debt | 1,135,000 | 1,135,000 | 1,135,000 | - |
| 0072 Interest on Long-Term Debt | 686,590 | 686,590 | 686,590 | - |
| 0073 Bond Issuance Cost and Fees | 5,000 | 5,000 | 1,000 | 4,000 |
| 6030 Total Expenditures | <u>1,826,590</u> | <u>1,826,590</u> | <u>1,822,590</u> | <u>4,000</u> |
| 1200 Net Change in Fund Balances | - | - | 107,561 | 107,561 |
| 0100 Fund Balance - September 1 (Beginning) | 1,509,778 | 1,509,778 | 1,509,778 | - |
| 1300 Increase (Decrease) in Fund Balance | - | - | 2,799 | 2,799 |
| 3000 Fund Balance - August 31 (Ending) | <u>\$ 1,509,778</u> | <u>\$ 1,509,778</u> | <u>\$ 1,620,138</u> | <u>\$ 110,360</u> |

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

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Wayne Barr, CPA
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Megan Solsbery, CPA

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American Institute of CPAs
Texas Society of CPAs

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

Board of Trustees
Brady Independent School District
1003 West 11th Street
Brady, TX 76825

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brady Independent School District as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 7, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Brady Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eckert & Company, LLP

December 7, 2020



A Limited Liability Partnership

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

Board of Trustees
Brady Independent School District
1003 West 11th Street
Brady, TX 76825

Report on Compliance for Each Major Federal Program

We have audited the Brady Independent School District's 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 Brady Independent School District's major federal programs for the year ended August 31, 2020. The Brady Independent School 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 Brady Independent School 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 Brady Independent School 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 Brady Independent School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Brady Independent School 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 Brady Independent School 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 our 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.

Purpose of This Report

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.

Eckert & Company, LLP

December 7, 2020

BRADY INDEPENDENT SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 Year Ended August 31, 2020

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal Control Over Financial Reporting

Material weaknesses identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal Control Over Major Programs

Material weaknesses identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes X No

Identification of Major Programs

| CFDA <u>Number</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| | Child Nutrition Cluster |
| 10.553 | School Breakfast Program |
| 10.555 | National School Lunch Program - Cash Assistance |
| 10.555 | National School Lunch Program - Non-Cash Assistance |

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

Auditee qualified as low-risk auditee? X Yes No

B. Findings - Financial Statements Audit

None

BRADY INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Continued
Year Ended August 31, 2020

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

D. Findings - State Compliance

None



BRADY INDEPENDENT SCHOOL DISTRICT

Schedule of Status of Prior Findings Year Ended August 31, 2020

(Prepared by the District's Management)

Prior Year Finding:

2019-001 Janitorial contractual services were contracted from suppliers without advertising for bids.

Status of Prior Year Finding:

This condition did not exist in the current year.

BRADY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

| (1) | (2) | (3) | (4) |
|---|---------------------------|--|-------------------------|
| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <u>Passed Through State Department of Education</u> | | | |
| ESEA, Title I, Part A - Improving Basic Programs | 84.010A | 20-610101160901 | \$ 340,502 |
| ESEA, Title I, Part A - Improving Basic Programs | 84.010A | 21-610101160901 | 22,150 |
| Total CFDA Number 84.010A | | | 362,652 |
| *SSA - IDEA - Part B, Formula | 84.027 | 20-6600011609016600 | 514,728 |
| *SSA - IDEA - Part B, Formula | 84.027 | 21-6600011609016600 | 43,865 |
| Total CFDA Number 84.027 | | | 558,593 |
| *SSA - IDEA - Part B, Preschool | 84.173 | 18-6610011609016610 | 1,655 |
| *SSA - IDEA - Part B, Preschool | 84.173 | 20-6610011609016610 | 16,820 |
| *SSA - IDEA - Part B, Preschool | 84.173 | 21-6610011609016610 | 231 |
| Total CFDA Number 84.173 | | | 18,706 |
| Total Special Education Cluster (IDEA) | | | 577,299 |
| Career and Technical - Basic Grant | 84.048 | 20-420006160901 | 23,080 |
| Title IV, Pt B-21st Cent. Community Learning Cent. | 84.287 | 20-6950267110030 | 271,325 |
| Title IV, Pt B-21st Cent. Community Learning Cent. | 84.287 | 21-6950267110030 | 16,157 |
| Total CFDA Number 84.287 | | | 287,482 |
| ESEA, Title VI, Part B - Rural & Low Income Prog. | 84.358B | 20-696001160901 | 7,682 |
| ESEA, Title II, Part A - Supporting Effective Inst | 84.367A | 20-694501160901 | 30,337 |
| ESEA, Title II, Part A - Supporting Effective Inst | 84.367A | 21-694501160901 | 2,122 |
| Total CFDA Number 84.367A | | | 32,459 |
| ESEA, Title IV, Part A, Subpart 1 | 84.424A | 20-680101160901 | 19,947 |
| ESEA, Title IV, Part A, Subpart 1 | 84.424A | 21-680101160901 | 1,399 |
| Total CFDA Number 84.424A | | | 21,346 |
| Total Passed Through State Department of Education | | | 1,312,000 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | 1,312,000 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| <u>Passed Through State Department of Education</u> | | | |
| Head Start | 93.600 | 20-06CH7152/01 | 109,561 |
| Head Start | 93.600 | 21-06CH7152/01 | 20,286 |
| Total CFDA Number 93.600 | | | 129,847 |
| Total Passed Through State Department of Education | | | 129,847 |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | 129,847 |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <u>Passed Through the State Department of Agriculture</u> | | | |
| *School Breakfast Program | 10.553 | 20-160901 | 143,499 |
| *National School Lunch Program - Cash Assistance | 10.555 | 20-160901 | 282,215 |
| *National School Lunch Prog. - Non-Cash Assistance | 10.555 | 20-160901 | 38,219 |
| Total CFDA Number 10.555 | | | 320,434 |
| Total Child Nutrition Cluster | | | 463,933 |
| Total Passed Through the State Department of Agriculture | | | 463,933 |

BRADY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2020

| (1) | (2) | (3) | (4) |
|---|---------------------------|--|-------------------------|
| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | 463,933 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ 1,905,780 |

*Clustered Programs

BRADY INDEPENDENT SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
August 31, 2020

Note A - Summary of Significant Accounting Policies

The District utilizes the fund types specified in the Texas Education Agency's *Financial Accountability System Resource Guide*.

Federal and state awards generally are accounted for in a Special Revenue Fund, a component of the governmental fund types. A Special Revenue Fund is used to account for resources restricted to, or committed for, specific purposes by a grantor.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds represent increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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. The District has a negotiated indirect cost rate and is not eligible to utilize the de minimis indirect cost rate.

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.

Note B - 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, 2019. 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* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note C - Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal awards programs per the schedule of expenditures of federal awards and federal revenues reported on Exhibit C-3:

| | |
|--|----------------------------|
| Total Expenditures of Federal Awards | \$ 1,905,780 |
| School Health and Related Services (SHARS) Program | <u>64,385</u> |
| Federal Program Revenues Per Exhibit C-3 | <u><u>\$ 1,970,165</u></u> |

SCHOOLS FIRST QUESTIONNAIRE

BRADY INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2020

| | | |
|-----|--|-----|
| SF1 | Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole? | Yes |
| SF2 | Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement? | No |
| SF3 | Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If there was a warrant hold not cleared in 30 days, then not timely.) | Yes |
| SF4 | Was the school district issued a warrant hold? (Yes even if cleared within 30 days.) | No |
| SF5 | Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds? | No |
| SF6 | Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? | No |
| SF7 | Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end? | Yes |
| SF8 | Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget? | Yes |
| SF9 | Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end. | |