

BRADY INDEPENDENT SCHOOL DISTRICT  
Annual Financial Report  
Year Ended August 31, 2019

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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, 2019, at a meeting of the Board of Trustees of such School District  
(Check One)

on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Connie Locklear  
Signature of Board Secretary

\_\_\_\_\_  
Michael Probst  
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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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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***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, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, 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, 49, and 50 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 January 14, 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***

January 14, 2020

# Brady Independent School District

1003 West 11<sup>th</sup>

Brady, Texas 76825

## 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, 2019. 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 \$5,188,256 (net position). This amount includes a deficit balance of unrestricted net position of \$2,800,971.

The District's total net position increased by \$1,206,549 or 30%. This amount consists of a \$808,554 increase attributable to current year operations and a \$397,995 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 \$17,386,903 and total expenses of \$16,578,349.

The total fund balance of the General Fund is \$6,043,448 which is an increase of \$863,551 or 17% 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 SSA - Special Education 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,	
	2019	2018
Current and Other Assets	\$ 12,101,043	\$ 8,057,998
Capital Assets	21,058,701	21,640,462
Total Assets	\$ 33,159,744	\$ 29,698,460
Deferred Outflows of Resources	\$ 3,069,766	\$ 1,553,990
Long-Term Liabilities Outstanding	\$ 27,452,411	\$ 23,380,088
Other Liabilities	815,989	1,343,989
Total Liabilities	\$ 28,268,400	\$ 24,724,077
Deferred Inflows of Resources	\$ 2,772,854	\$ 2,546,666
Net Position		
Net Investment in Capital Assets	\$ 6,469,297	\$ 6,423,088
Restricted	1,519,930	1,470,309
Unrestricted (Deficit)	(2,800,971)	(3,911,690)
Total Net Position	\$ 5,188,256	\$ 3,981,707

A large portion of the District's net position (\$6,469,297) 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 (\$1,519,930) represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of unrestricted net position is \$2,800,971.



**MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**Government-Wide Financial Analysis - Continued**

**Governmental Activities** - Governmental activities increased the District's net position by \$808,554 and \$2,158,420 for the fiscal years ended August 31, 2019 and 2018, respectively. Key elements of these increases are as follows:

CHANGES IN NET POSITION

	Governmental Activities	
	Year Ended August 31,	
	2019	2018
Revenues		
Program Revenues		
Charges for Services	\$ 977,942	\$ 738,604
Operating Grants and Contributions	3,174,949	5,173,153
General Revenues		
Maintenance and Operations Taxes	4,969,054	4,614,618
Debt Service Taxes	1,436,035	1,463,038
State Aid - Formula Grants	5,761,011	5,656,450
Grants and Contributions Not Restricted to Specific Programs	0	19,145
Investment Earnings	274,060	160,623
Chapter 313 Payments	605,861	0
Other	187,991	1,833
	<u>\$ 17,386,903</u>	<u>\$ 17,827,464</u>
Expenses		
Instruction and Instructional-Related Services	\$ 8,725,187	\$ 8,140,170
Instructional and School Leadership	1,142,700	1,093,237
Support Services - Student (Pupil)	3,240,929	2,965,843
Administrative Support Services	716,396	687,231
Support Services - Nonstudent Based	1,496,806	1,527,189
Ancillary Services	1,687	1,740
Debt Service	722,146	663,513
Intergovernmental Charges	532,498	590,121
	<u>\$ 16,578,349</u>	<u>\$ 15,669,044</u>
Change in Net Position	\$ 808,554	\$ 2,158,420
Net Position - Beginning	3,981,707	10,952,052
Prior Period Adjustments	<u>397,995</u>	<u>(9,128,765)</u>
Net Position - Ending	<u>\$ 5,188,256</u>	<u>\$ 3,981,707</u>

## 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 \$11,184,668, an increase of \$4,528,674 or 68% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$6,043,448. Of this balance \$175,802 is nonspendable for prepaid expenditures, and \$1,130,661 is committed for future construction, equipment purchases, and salaries.

Special Revenue Funds \$428,048. Of this balance \$10,268 is restricted for use in the Food Service Fund, \$55,358 is committed for use by the Campus Activity Funds, and \$362,422 is assigned for use by the local special education program.

Debt Service Fund \$1,509,778. This balance is restricted for payment of long-term debt principal and interest.

Capital Projects Fund \$3,203,394. This balance is restricted for construction costs.

### General Fund Budget

The original budget for the General Fund was \$11,563,192, and the final amended budget was \$12,393,071 which represents a \$829,879 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 \$12,685,913 for the fiscal year 2020, which is an increase of \$292,842 from the fiscal year 2019.

### Capital Assets and Debt

**Capital Assets** - Financial statement footnote III., D. discloses the District's capital asset activity for the year ended August 31, 2019.

**Long-Term Debt** - Financial statement footnote III., I. discloses the District's debt activity for the year ended August 31, 2019.

### 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: Dennis Hill, Interim 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, 2019

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 9,431,103
1120 Current Investments	1,879,257
1220 Property Taxes - Delinquent	189,882
1230 Allowance for Uncollectible Taxes	(61,155)
1240 Due from Other Governments	475,221
1250 Accrued Interest	4,961
1290 Other Receivables, Net	4,797
1410 Prepayments	176,802
1490 Other Current Assets	175
Capital Assets:	
1510 Land	574,745
1520 Buildings, Net	19,415,040
1530 Furniture and Equipment, Net	891,291
1580 Construction in Progress	177,625
1000 Total Assets	33,159,744
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Loss on Refunding	569,396
1705 Deferred Outflow Related to TRS Pension	2,043,408
1706 Deferred Outflow Related to TRS OPEB	456,962
1700 Total Deferred Outflows of Resources	3,069,766
<b>LIABILITIES</b>	
2110 Accounts Payable	17,456
2140 Interest Payable	28,341
2160 Accrued Wages Payable	600,046
2180 Due to Other Governments	62,501
2200 Accrued Expenses	17,770
2300 Unearned Revenue	89,875
Noncurrent Liabilities:	
2501 Due Within One Year	1,135,000
2502 Due in More Than One Year	17,227,195
2540 Net Pension Liability (District's Share)	3,781,677
2545 Net OPEB Liability (District's Share)	5,308,539
2000 Total Liabilities	28,268,400
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS Pension	359,080
2606 Deferred Inflow Related to TRS OPEB	2,413,774
2600 Total Deferred Inflows of Resources	2,772,854
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	6,469,297
3820 Restricted for Federal and State Programs	10,268
3850 Restricted for Debt Service	1,509,662
3900 Unrestricted (Deficit)	(2,800,971)
3000 Total Net Position	\$ 5,188,256

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, 2019

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 8,373,079	\$ 366,465	\$ 1,630,157	\$ (6,376,457)
12 Instructional Resources and Media Services	180,417	-	13,630	(166,787)
13 Curriculum and Instructional Staff Development	171,691	-	39,836	(131,855)
21 Instructional Leadership	211,231	147,662	104,656	41,087
23 School Leadership	931,469	-	78,277	(853,192)
31 Guidance, Counseling, and Evaluation Services	822,882	258,408	335,116	(229,358)
32 Social Work Services	73,873	-	61,134	(12,739)
33 Health Services	135,908	-	12,032	(123,876)
34 Student (Pupil) Transportation	385,627	2,417	29,803	(353,407)
35 Food Services	769,547	139,067	548,116	(82,364)
36 Extracurricular Activities	1,053,092	39,924	41,903	(971,265)
41 General Administration	716,396	7,383	54,650	(654,363)
51 Facilities Maintenance and Operations	1,252,760	9,233	123,262	(1,120,265)
52 Security and Monitoring Services	11,186	-	-	(11,186)
53 Data Processing Services	232,860	7,383	21,210	(204,267)
61 Community Services	1,687	-	1,167	(520)
72 Debt Service - Interest on Long-Term Debt	635,881	-	-	(635,881)
73 Debt Service - Bond Issuance Cost and Fees	86,265	-	-	(86,265)
93 Payments Related to Shared Services Arrangements	362,928	-	80,000	(282,928)
99 Other Intergovernmental Charges	169,570	-	-	(169,570)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 16,578,349	\$ 977,942	\$ 3,174,949	(12,425,458)

Data Control Codes	General Revenues: Taxes:	
MT	Property Taxes, Levied for General Purposes	4,969,054
DT	Property Taxes, Levied for Debt Service	1,436,035
SF	State Aid - Formula Grants	5,761,011
IE	Investment Earnings	274,060
MI	Miscellaneous Local and Intermediate Revenue	793,852
TR	Total General Revenues	13,234,012
CN	Change in Net Position	808,554
NB	Net Position - Beginning	3,981,707
PA	Prior Period Adjustments	397,995
NE	Net Position - Ending	\$ 5,188,256

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

BRADY INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2019

Data Control Codes	10 General Fund	SSA - Special Education Fund	50 Debt Service Fund
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 6,085,795	\$ 125,373	\$ 1,503,274
1120 Investments - Current	-	-	-
1220 Property Taxes - Delinquent	148,247	-	41,635
1230 Allowance for Uncollectible Taxes	(47,746)	-	(13,409)
1240 Due from Other Governments	223,360	-	5,827
1250 Accrued Interest	1,679	601	677
1260 Due from Other Funds	127,350	-	-
1290 Other Receivables	4,747	50	-
1410 Prepayments	175,802	-	-
1490 Other Current Assets	-	175	-
1000 Total Assets	<u>\$ 6,719,234</u>	<u>\$ 126,199</u>	<u>\$ 1,538,004</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 14,560	\$ -	\$ -
2160 Accrued Wages Payable	482,970	42,698	-
2170 Due to Other Funds	-	-	-
2180 Due to Other Governments	62,501	-	-
2200 Accrued Expenditures	10,254	910	-
2300 Unearned Revenue	5,000	82,591	-
2000 Total Liabilities	<u>575,285</u>	<u>126,199</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	100,501	-	28,226
2600 Total Deferred Inflows of Resources	<u>100,501</u>	<u>-</u>	<u>28,226</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3430 Prepaid Items	175,802	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	-	1,509,778
3490 Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
3510 Construction	811,589	-	-
3530 Capital Expenditures for Equipment	119,072	-	-
3545 Other Committed Fund Balance	200,000	-	-
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	-	-	-
3600 Unassigned Fund Balance	4,736,985	-	-
3000 Total Fund Balances	<u>6,043,448</u>	<u>-</u>	<u>1,509,778</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 6,719,234</u>	<u>\$ 126,199</u>	<u>\$ 1,538,004</u>

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

60 Capital Projects	Other Funds	Total Governmental Funds
\$ 1,323,940	\$ 392,721	\$ 9,431,103
1,879,257	-	1,879,257
-	-	189,882
-	-	(61,155)
-	246,034	475,221
2,004	-	4,961
-	113	127,463
-	-	4,797
-	1,000	176,802
-	-	175
<u>\$ 3,205,201</u>	<u>\$ 639,868</u>	<u>\$ 12,228,506</u>
\$ 1,807	\$ 1,089	\$ 17,456
-	74,378	600,046
-	127,463	127,463
-	-	62,501
-	6,606	17,770
-	2,284	89,875
<u>1,807</u>	<u>211,820</u>	<u>915,111</u>
-	-	128,727
-	-	128,727
-	-	175,802
-	10,268	10,268
-	-	1,509,778
3,203,394	-	3,203,394
-	-	811,589
-	-	119,072
-	55,358	255,358
-	362,422	362,422
-	-	4,736,985
<u>3,203,394</u>	<u>428,048</u>	<u>11,184,668</u>
<u>\$ 3,205,201</u>	<u>\$ 639,868</u>	<u>\$ 12,228,506</u>

BRADY INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2019

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	11,184,668
1 Capital assets net of accumulated depreciation used in governmental activities are not reported in governmental funds.		21,058,701
2 Deferred outflows of resources related to pensions are not reported in governmental funds.		2,043,408
3 Deferred outflows of resources related to other postemployment benefits are not reported in governmental funds.		456,962
4 Deferred loss on refunding is not reported in governmental funds.		569,396
5 Accrued interest payable on long-term debt is not reported in governmental funds.		(28,341)
6 Long-term debt, including unamortized premiums, is not reported in governmental funds.		(18,362,195)
7 Recognition of the District's proportionate share of the net pension liability is not reported in governmental funds.		(3,781,677)
8 Recognition of the District's proportionate share of the net other postemployment benefit liability is not reported in governmental funds.		(5,308,539)
9 Deferred inflows of resources related to pensions are not reported in governmental funds.		(359,080)
10 Deferred inflows of resources related to other postemployment benefits are not reported in governmental funds.		(2,413,774)
11 Property taxes unavailable to pay for current period expenditures are deferred in governmental funds.		128,727
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>5,188,256</b>

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, 2019

Data Control Codes	10 General Fund	SSA - Special Education Fund	50 Debt Service Fund
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 5,898,313	\$ 796,625	\$ 1,507,525
5800 State Program Revenues	6,247,745	-	42,776
5900 Federal Program Revenues	-	-	-
5020 Total Revenues	<u>12,146,058</u>	<u>796,625</u>	<u>1,550,301</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	6,004,762	333,322	-
0012 Instructional Resources and Media Services	164,481	-	-
0013 Curriculum and Instructional Staff Development	128,927	-	-
0021 Instructional Leadership	11,244	161,805	-
0023 School Leadership	823,336	-	-
0031 Guidance, Counseling, and Evaluation Services	139,521	280,043	-
0032 Social Work Services	25	-	-
0033 Health Services	120,063	-	-
0034 Student (Pupil) Transportation	452,461	-	-
0035 Food Services	14,542	-	-
0036 Extracurricular Activities	917,729	-	-
0041 General Administration	645,367	5,650	-
0051 Facilities Maintenance and Operations	1,229,551	4,225	-
0052 Security and Monitoring Services	11,186	-	-
0053 Data Processing Services	211,974	11,580	-
0061 Community Services	520	-	-
Debt Service:			
0071 Principal on Long-Term Debt	-	-	840,000
0072 Interest on Long-Term Debt	-	-	659,042
0073 Bond Issuance Cost and Fees	-	-	500
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	-
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	282,928	-	-
0099 Other Intergovernmental Charges	169,570	-	-
6030 Total Expenditures	<u>11,328,187</u>	<u>796,625</u>	<u>1,499,542</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>817,871</u>	<u>-</u>	<u>50,759</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7911 Capital Related Debt Issued	-	-	-
7912 Sale of Real and Personal Property	1,989	-	-
7915 Transfers In	-	-	-
7916 Premium or Discount on Issuance of Bonds	-	-	3,508
8911 Transfers Out (Use)	(40,871)	-	-
7080 Total Other Financing Sources (Uses)	<u>(38,882)</u>	<u>-</u>	<u>3,508</u>
1200 Net Change in Fund Balances	778,989	-	54,267
0100 Fund Balance - September 1 (Beginning)	5,179,897	-	1,466,028
1300 Increase (Decrease) in Fund Balance	84,562	-	(10,517)
3000 Fund Balance - August 31 (Ending)	<u>\$ 6,043,448</u>	<u>\$ -</u>	<u>\$ 1,509,778</u>

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

60 Capital Projects	Other Funds	Total Governmental Funds
\$ 31,019	\$ 225,795	\$ 8,459,277
-	105,631	6,396,152
-	2,145,401	2,145,401
31,019	2,476,827	17,000,830
-	1,067,746	7,405,830
-	122	164,603
-	36,115	165,042
-	18,111	191,160
-	1,389	824,725
-	290,925	710,489
-	61,134	61,159
-	-	120,063
-	-	452,461
-	702,521	717,063
-	87,609	1,005,338
-	2,059	653,076
-	20,524	1,254,300
-	-	11,186
-	4,866	228,420
-	1,167	1,687
-	-	840,000
-	-	659,042
85,765	-	86,265
177,625	-	177,625
-	80,000	362,928
-	-	169,570
263,390	2,374,288	16,262,032
(232,371)	102,539	738,798
3,330,000	-	3,330,000
-	-	1,989
-	40,871	40,871
105,765	-	109,273
-	-	(40,871)
3,435,765	40,871	3,441,262
3,203,394	143,410	4,180,060
-	10,069	6,655,994
-	274,569	348,614
\$ 3,203,394	\$ 428,048	\$ 11,184,668

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, 2019

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 4,180,060
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.	351,154
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources.	(928,915)
Issuance of bonds is shown as other resources in governmental funds but is shown as an increase in long-term debt in the government-wide financial statements.	(3,439,273)
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.	840,000
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.	(687)
Disposal of capital assets is reported net of depreciation on the government-wide financial statements.	(4,000)
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.	59,810
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.	(250,809)
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.	43,499
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.	(6,323)
<b>Change in Net Position of Governmental Activities</b>	\$ 808,554

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, 2019

	Private Purpose Trust Fund	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	\$ 34,259
Restricted Assets	526,366	-
Total Assets	<u>526,366</u>	<u>\$ 34,259</u>
<b>LIABILITIES</b>		
Due to Student Groups	-	\$ 34,259
Total Liabilities	<u>-</u>	<u>\$ 34,259</u>
<b>NET POSITION</b>		
Restricted for Scholarships	<u>526,366</u>	
Total Net Position	<u>\$ 526,366</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, 2019

	Private Purpose Trust Fund
<b>ADDITIONS:</b>	
Local and Intermediate Sources	\$ 28,565
Total Additions	<u>28,565</u>
<b>DEDUCTIONS:</b>	
Scholarships Paid	<u>24,447</u>
Total Deductions	<u>24,447</u>
Change in Net Position	4,118
Total Net Position - September 1 (Beginning)	449,247
Prior Period Adjustment	<u>73,001</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 526,366</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, 2019

**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, 2019

**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.

Special Revenue Fund - SSA-Special Education Fund - This Fund accounts for the operation of a shared service arrangement for special education.

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.

BRADY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2019

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E. Receivables and Payables - Continued**

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

**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.



BRADY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2019

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**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.

**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.

BRADY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2019

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**N. Fund Balances - Continued**

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.

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.

BRADY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2019

**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.

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.

BRADY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2019

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**A. Deposits and Investments - Continued**

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, 2019, 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

At August 31, 2019, the District's investments with respective maturities and credit ratings consisted of the following:

<u>Investments</u>	<u>Fair Value</u>	<u>Percent</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
U.S. Treasury Bills	<u>\$ 1,879,257</u>	<u>100.0%</u>	83 Days	

At August 31, 2019, the District had the following investments subject to the fair value measurement:

<u>Investment by Fair Value Level</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Debt Securities				
U.S. Treasury Bills	<u>\$ 1,879,257</u>	<u>\$ 1,879,257</u>	<u>\$ -</u>	<u>\$ -</u>

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of assets. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical securities.

BRADY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2019

**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	\$ 202,567	\$ 0	\$ 20,793	\$ 223,360
Special Revenue Funds	0	246,034	0	246,034
Debt Service Fund	<u>0</u>	<u>0</u>	<u>5,827</u>	<u>5,827</u>
Totals	<u>\$ 202,567</u>	<u>\$ 246,034</u>	<u>\$ 26,620</u>	<u>\$ 475,221</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			
Nonmajor Governmental Funds	<u>\$ 127,350</u>	<u>\$ 0</u>	Operating Advance
Nonmajor Governmental Funds			
General Fund	\$ 0	\$ 127,350	Operating Advance
Nonmajor Governmental Funds	<u>113</u>	<u>113</u>	Services Rendered
	<u>\$ 113</u>	<u>\$ 127,463</u>	
Totals	<u>\$ 127,463</u>	<u>\$ 127,463</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>\$ 40,871</u>	To Cover Fund Deficit

BRADY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2019

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Capital Assets

Capital asset activity for the year ended August 31, 2019, 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	37,464,289	39,231	0	37,503,520
Furniture and Equipment	3,810,894	134,298	243,964	3,701,228
Construction in Progress	<u>0</u>	<u>177,625</u>	<u>0</u>	<u>177,625</u>
Total Capital Assets	<u>\$ 41,849,928</u>	<u>\$ 351,154</u>	<u>\$ 243,964</u>	<u>\$ 41,957,118</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ (17,320,239)	\$ (768,241)	\$ 0	\$ (18,088,480)
Furniture and Equipment	<u>(2,889,227)</u>	<u>(160,674)</u>	<u>(239,964)</u>	<u>(2,809,937)</u>
Total Accumulated Depreciation	<u>\$ (20,209,466)</u>	<u>\$ (928,915)</u>	<u>\$ (239,964)</u>	<u>\$ (20,898,417)</u>
Governmental Activities Capital Assets, Net	<u>\$ 21,640,462</u>	<u>\$ (577,761)</u>	<u>\$ 4,000</u>	<u>\$ 21,058,701</u>

Depreciation expense was charged to governmental activities functions as follows:

Instruction	\$ 588,422
Instructional Resources and Media Services	11,003
Curriculum and Instructional Staff Development	3,982
Instructional Leadership	14,030
School Leadership	68,847
Guidance, Counseling, and Evaluation Services	59,705
Social Work Services	5,329
Health Services	10,193
Student (Pupil) Transportation	25,541
Food Services	21,195
Extracurricular Activities	42,687
General Administration	40,699
Facilities Maintenance and Operations	24,046
Data Processing Services	<u>13,236</u>
Total	<u>\$ 928,915</u>

BRADY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2019

**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:

	General Fund
	<hr/>
Due to State - Foundation	<u>\$ 62,501</u>

BRADY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2019

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**G. Unearned Revenue**

Unearned revenue at year end consisted of the following:

	General Fund	Special Revenue Funds	Total
Presale Athletic Event Tickets	\$ 5,000	\$ 0	\$ 5,000
State Grants	0	2,284	2,284
Member District Payments	0	82,591	82,591
Totals	\$ 5,000	\$ 84,875	\$ 89,875

**H. Commitments Under Noncapitalized Leases**

Commitments under operating lease agreements for equipment provide for minimum future rental payments as of August 31, 2019, as follows:

Year Ending August 31,	
2020	\$ 28,962
2021	6,913
2022	1,890
2023	1,890
2024	630
Total Minimum Rentals	\$ 40,285

Rental expenditures during the year ended August 31, 2019, were \$93,399.



BRADY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2019

**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, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Unlimited Tax Refunding Bonds - Series 2005	\$ 235,000	\$ 0	\$ 55,000	\$ 180,000	\$ 60,000
Unlimited Tax Refunding Bonds - Series 2008	2,330,000	0	555,000	1,775,000	570,000
Unlimited Tax Refunding Bonds - Series 2015	12,250,000	0	230,000	12,020,000	235,000
Unlimited Tax School Building Bonds - Series 2019	0	3,330,000	0	3,330,000	270,000
Bond Premium - Series 2005	3,969	0	993	2,976	-
Bond Premium - Series 2008	12,454	0	3,114	9,340	-
Bond Premium - Series 2015	991,309	0	52,636	938,673	-
Bond Premium - Series 2019	0	109,273	3,067	106,206	-
	<u>0</u>	<u>109,273</u>	<u>3,067</u>	<u>106,206</u>	<u>-</u>
Subtotals	\$ 15,822,732	\$ 3,439,273	\$ 899,810	\$ 18,362,195	\$ 1,135,000
Net Pension Liability	2,351,313	1,661,813	231,449	3,781,677	-
Net OPEB Liability	5,206,043	175,840	73,344	5,308,539	-
	<u>5,206,043</u>	<u>175,840</u>	<u>73,344</u>	<u>5,308,539</u>	<u>-</u>
Totals	<u>\$ 23,380,088</u>	<u>\$ 5,276,926</u>	<u>\$ 1,204,603</u>	<u>\$ 27,452,411</u>	<u>\$ 1,135,000</u>

BRADY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2019

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%. <sup>1</sup>	\$ 180,000
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%. <sup>1</sup>	1,775,000
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%. <sup>1</sup>	12,020,000
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%. <sup>1</sup>	<u>3,330,000</u>
Total Bonds Payable	<u><u>\$ 17,305,000</u></u>

<sup>1</sup> 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, 2019

**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	
2020	\$ 865,000	\$ 593,902	\$ 270,000	\$ 92,687	\$ 1,821,589
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
2025-2029	3,290,000	1,949,950	1,330,000	51,550	6,621,500
2030-2034	4,040,000	1,208,250	0	0	5,248,250
2035-2037	2,860,000	290,500	0	0	3,150,500
Totals	<u>\$ 13,975,000</u>	<u>\$ 6,119,224</u>	<u>\$ 3,330,000</u>	<u>\$ 417,806</u>	<u>\$ 23,842,030</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	\$ 5,030,780	\$ 0	\$ 1,455,908	\$ 0	\$ 6,486,688
Services Rendered to Other School Districts	8,240	784,215	0	0	792,455
Tuition and Fees	1,700	0	0	0	1,700
Chapter 313 Agreement	605,861	0	0	0	605,861
Other Local Sources	209,957	17,583	51,617	31,019	310,176
Cocurricular, Enterprising Services, or Activities	41,775	220,622	0	0	262,397
Totals	<u>\$ 5,898,313</u>	<u>\$ 1,022,420</u>	<u>\$ 1,507,525</u>	<u>\$ 31,019</u>	<u>\$ 8,459,277</u>

BRADY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2019

**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. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

**Pension Plan Fiduciary Net Position** - 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 based on statutory provisions of the plan effective for fiscal year 2018. The annual standard annuity is based on the average of the five highest annual creditable salaries multiplied by the years of credited service multiplied by 2.3%. For members who are grandfathered; the three highest annual salaries are used in the benefit formula. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic postemployment benefit changes, including automatic COLAs. Ad hoc postemployment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the plan description above.

**Contributions** - Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of 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, 2019

**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:

Contribution Rates		
	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2019 Employer Contributions		\$ 273,704
District's 2019 Member Contributions		633,161
District's 2018 NECE On-Behalf Contributions		660,922

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.
- When a school district does not contribute to the Federal Old-Age, Survivors, and Disability Insurance (OASDI) program for certain employees, it must contribute 1.5% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

**Actuarial Assumptions -**

**Roll Forward** - A change was made in the measurement date of the total pension liability for the 2018 measurement year. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total pension liability to August 31, 2018. This is the first year using roll forward procedures.

BRADY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2019

**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 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, 2017 Rolled Forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-Term Expected Rate	7.250%
Municipal Bond Rate as of August 2018	3.690%. 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	2.300%
Salary Increases	3.050% to 9.050% Including Inflation
Ad hoc Postemployment Benefit Changes	None

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

**Discount Rate** - The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates

BRADY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2019

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2018, are summarized below:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long-Term Expected Arithmetic Real Rate of Return**</u>	<u>Expected Contribution to Long-Term Portfolio Returns</u>
Global Equity			
U.S.	18.00%	5.70%	1.04%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.95%	0.80%
Directional Hedge Funds	4.00%	3.53%	0.14%
Private Equity	13.00%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute Return	0.00%	0.00%	0.00%
Hedge Funds (Stable Value)	4.00%	3.09%	0.12%
Cash	1.00%	-0.30%	0.00%
Real Return			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy and Natural Resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
Risk Parity			
Risk Parity	5.00%	3.70%	0.18%
Inflation Expectations			2.30%
Volatility Drag***			<u>-0.79%</u>
Totals	<u>100.00%</u>		<u>7.25%</u>

\* Target Allocations are based on the FY 2016 policy model.

\*\* Capital market assumptions some from Aon Hewitt (2017 Q4).

\*\*\* The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

BRADY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2019

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 (6.907%) in measuring the 2018 net pension liability:

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District's Proportionate Share of the Net Pension Liability	\$ 5,707,458	\$ 3,781,677	\$ 2,222,644

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At August 31, 2019, the Brady Independent School District reported a net pension liability of \$3,781,677 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	\$ 3,781,677
State's Proportionate Share that is Associated with the District	6,677,776
Total	\$ 10,459,453

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. 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, 2017 through August 31, 2018.

At August 31, 2018, the employer's proportion of the collective net pension liability was 0.0068704773% which was a decrease of 0.0004832114% from its proportion measured as of August 31, 2017.

**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, 2018, was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ended August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.



BRADY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2019

**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, 2019, the Brady Independent School District recognized pension expense of \$660,922 and revenue of \$660,922 for support provided by the State in the government-wide statement of activities.

At August 31, 2019, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Actuarial Experience	\$ 23,572	\$ 92,787
Changes in Actuarial Assumptions	1,363,477	42,609
Net Difference Between Projected and Actual Investment Earnings	-	71,755
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	382,655	151,929
Contributions Paid to TRS Subsequent to the Measurement Date	273,704	-
Totals	\$ 2,043,408	\$ 359,080

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:

Year Ending August 31,	Pension Expense Amount
2020	\$ 402,050
2021	251,050
2022	205,991
2023	213,199
2024	205,513
Thereafter	132,821

**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, 2019

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

Eligible non-Medicare retirees and their dependents may pay premiums to participate in the high-deductible health plans. Eligible Medicare retirees and their dependents may pay premiums to participate in the Medicare Advantage health plans. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic postemployment benefit changes, including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage. These new premium rates for retirees with Medicare Part A and Part B became effective January 1, 2018:

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

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

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

BRADY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2019

**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 pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75% of each active employee’s pay for fiscal year 2018. The following table shows contributions to the TRS-Care plan by type of contributor:

Contribution Rates		
	<u>2018</u>	<u>2019</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 2019 Employer Contributions		\$ 85,725
District's 2019 Member Contributions		61,673
District's 2018 NECE On-Behalf Contributions		232,658

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.

With Senate Bill 1, 85th Legislature, Regular Session, TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. House Bill 30 of the 85th Legislature provided an additional \$212 million in a one-time supplemental funding for the fiscal year 2018-2019 biennium. One-time supplemental contributions during fiscal year 2018 totaled \$394.6 million.

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

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

- |                               |                         |
|-------------------------------|-------------------------|
| 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, 2019

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 Rolled Forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69% Sourced from fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.
Aging Factors	Based on Plan Specific Experience
Election Rates	Normal Retirement: 70% Participation Prior to Age 65 and 75% After 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

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

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

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

**Discount Rate** - A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27% in the discount rate since the previous year. Because 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, 2019

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 (3.69%) in measuring the net OPEB liability:

	1% Decrease in Discount Rate (2.69%)	Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's Proportionate Share of the Net OPEB Liability	\$ 6,318,985	\$ 5,308,539	\$ 4,509,211

**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:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability	\$ 4,408,828	\$ 5,308,539	\$ 6,493,478

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs** - At August 31, 2019, the Brady Independent School District reported a liability of \$5,308,539 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	\$ 5,308,539
State's Proportionate Share that is Associated with the District	6,396,265
Total	\$ 11,704,804

The net OPEB liability was measured as of August 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The 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, 2017 through August 31, 2018.

At August 31, 2018, the employer's proportion of the collective net OPEB liability was 0.0106317676% compared to 0.0119716996% as of August 31, 2017. This was a decrease of 0.0013399320%.

BRADY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2019

**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:

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

**Changes of Benefit Terms** - The 85th Legislature, Regular Session, passed the following statutory changes which became effective on September 1, 2017:

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

For the year ended August 31, 2019, the Brady Independent School District recognized OPEB expense of \$232,658 and revenue of \$232,658 for support provided by the State.

At August 31, 2019, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Actuarial Experience	\$ 281,704	\$ 83,777
Changes in Actuarial Assumptions	88,585	1,594,911
Net Difference Between Projected and Actual Investment Earnings	928	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	20	735,086
Contributions Paid to TRS Subsequent to the Measurement Date	<u>85,725</u>	<u>-</u>
Totals	<u>\$ 456,962</u>	<u>\$ 2,413,774</u>

BRADY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2019

**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>
2020	\$ (300,372)
2021	(300,372)
2022	(300,372)
2023	(300,547)
2024	(300,648)
Thereafter	(540,226)

**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, 2019, August 31, 2018, and August 31, 2017, the subsidy payments received by TRS-Care on behalf of the District were \$30,337, \$24,950, and \$24,822, 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 2019, 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, 2019, 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, 2019

**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, 2019, 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, 2018, are available on the TASB Risk Management Fund website.

**G. Unemployment Compensation Coverage**

During the year ended August 31, 2019, 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, 2019, 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, 2018, are available on the TASB Risk Management Fund website.

**H. Workers' Compensation Insurance**

The District and the SSA - Special Education Cooperative participate in a modified self-funded workers' compensation insurance pool with other districts which are located in the State of Texas. The District's contributions to the pool are based on the loss experience of the District and other districts in the pool. Workers' Compensation Solutions (WCS) is the third party administrator of the pool. The District's fixed cost is \$27,645 and maximum aggregate loss is \$35,199.

**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.



BRADY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2019

**IV. OTHER INFORMATION – Continued**

**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 §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 2018	B Project's Value Limitation Amount 2018	C Amount of Applicant's M&O Taxes Paid 2018	D Amount of Applicant's M&O Taxes Reduced 2018	E Company Revenue Loss Payment to School District 2018	F Company Supplemental Payment to School District 2018	G Net Benefit (Loss) to the School District 2018 (C+E+F)
Rattlesnake Power, LLC*	\$ 81,813,543	\$ 25,000,000	\$ 260,000	\$ 590,861	\$ 590,861	\$ 0	\$ 850,861

\* First year of value limitation was 2018

BRADY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2019

**IV. OTHER INFORMATION - Continued**

**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	\$ 315,206
Cherokee Independent School District	31,642
Lohn Independent School District	41,272
Richland Springs Independent School District	61,529
Rochelle Independent School District	82,191
San Saba Independent School District	<u>221,105</u>
Total	<u>\$ 752,945</u>

The Brady Independent School District participates in a shared services arrangement with other school districts. The 21<sup>st</sup> 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.

**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	\$ 178,874	\$ 178,874
Unavailable Tax Adjustment	0	(38,864)
Campus Activities	<u>(55,448)</u>	<u>(55,448)</u>
Total General Fund	<u>\$ 123,426</u>	<u>\$ 84,562</u>
Debit Service Fund		
Unavailable Tax Adjustment - 599	<u>\$ 0</u>	<u>\$ (10,517)</u>
Nonmajor Funds		
Campus Activity Funds - 461	\$ 58,284	\$ 58,284
Reclassify Unearned Revenue - 499	<u>216,285</u>	<u>216,285</u>
Total Nonmajor Funds	<u>\$ 274,569</u>	<u>\$ 274,569</u>
Totals	<u>\$ 397,995</u>	<u>\$ 348,614</u>

BRADY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2019

**IV. OTHER INFORMATION - Continued**

**M. Commitments**

The District issued bonds during the 2019 fiscal year for the purpose of constructing, improving, renovating, and equipping school buildings. The District received proceeds of \$3,330,000. As of August 31, 2019, the District has \$3,203,394 remaining to be expended on these projects.

**N. Subsequent Events**

The District's management has evaluated subsequent events through January 14, 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, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 5,122,052	\$ 5,720,172	\$ 5,898,313	\$ 178,141
5800 State Program Revenues	6,422,340	6,472,664	6,247,745	(224,919)
5900 Federal Program Revenues	14,800	14,800	-	(14,800)
5020 Total Revenues	11,559,192	12,207,636	12,146,058	(61,578)
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	6,132,639	6,193,809	6,004,762	189,047
0012 Instructional Resources and Media Services	162,574	176,574	164,481	12,093
0013 Curriculum and Instructional Staff Development	118,850	144,350	128,927	15,423
0021 Instructional Leadership	16,001	16,001	11,244	4,757
0023 School Leadership	874,396	924,996	823,336	101,660
0031 Guidance, Counseling, and Evaluation Services	146,395	166,395	139,521	26,874
0032 Social Work Services	500	500	25	475
0033 Health Services	99,662	154,162	120,063	34,099
0034 Student (Pupil) Transportation	518,192	621,033	452,461	168,572
0035 Food Services	12,650	24,650	14,542	10,108
0036 Extracurricular Activities	895,166	977,611	917,729	59,882
0041 General Administration	583,908	677,408	645,367	32,041
0051 Facilities Maintenance and Operations	1,284,050	1,417,581	1,229,551	188,030
0052 Security and Monitoring Services	20,500	30,500	11,186	19,314
0053 Data Processing Services	186,619	292,119	211,974	80,145
0061 Community Services	1,000	1,000	520	480
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	285,428	329,720	282,928	46,792
0099 Other Intergovernmental Charges	174,662	194,662	169,570	25,092
6030 Total Expenditures	11,513,192	12,343,071	11,328,187	1,014,884
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	46,000	(135,435)	817,871	953,306
<b>OTHER FINANCING SOURCES (USES):</b>				
7912 Sale of Real and Personal Property	4,000	4,000	1,989	(2,011)
8911 Transfers Out (Use)	(50,000)	(50,000)	(40,871)	9,129
7080 Total Other Financing Sources (Uses)	(46,000)	(46,000)	(38,882)	7,118
1200 Net Change in Fund Balances	-	(181,435)	778,989	960,424
0100 Fund Balance - September 1 (Beginning)	5,179,897	5,179,897	5,179,897	-
1300 Increase (Decrease) in Fund Balance	-	-	84,562	84,562
3000 Fund Balance - August 31 (Ending)	\$ 5,179,897	\$ 4,998,462	\$ 6,043,448	\$ 1,044,986

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, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.006870477%	0.007353689%	0.007224102%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 3,781,677	\$ 2,351,313	\$ 2,729,881
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	6,677,776	4,196,517	5,181,608
Total	<u>\$ 10,459,453</u>	<u>\$ 6,547,830</u>	<u>\$ 7,911,489</u>
District's Covered Payroll	\$ 7,852,938	\$ 7,973,967	\$ 7,757,155
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	48.16%	29.49%	35.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

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, 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 2016</u>		<u>FY 2015</u>	
<u>Plan Year 2015</u>		<u>Plan Year 2014</u>	
	0.0076723%		0.0045422%
\$	2,712,056	\$	1,213,284
	4,980,648		4,281,893
<u>\$ 7,692,704</u>		<u>\$ 5,495,177</u>	
\$	7,589,807	\$	7,262,718
	35.73%		16.71%
	78.43%		83.25%

BRADY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2019

	2019	2018	2017
Contractually Required Contribution	\$ 273,704	\$ 221,931	\$ 230,834
Contribution in Relation to the Contractually Required Contribution	(273,704)	(221,931)	(230,834)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 8,335,033	\$ 7,852,938	\$ 7,973,967
Contributions as a Percentage of Covered Payroll	3.28%	2.83%	2.89%

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.



<hr/>	
2016	2015
<hr/>	
\$ 229,528	\$ 227,139
(229,528)	(227,139)
<hr/>	
\$ -	\$ -
<hr/> <hr/>	
\$ 7,757,155	\$ 7,589,807
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, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.010631768%	0.0119717%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 5,308,539	\$ 5,206,043
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	6,396,265	5,905,281
Total	<u>\$ 11,704,804</u>	<u>\$ 11,111,324</u>
District's Covered Payroll	\$ 7,852,938	\$ 7,973,967
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	67.60%	65.29%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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 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 2019

	2019	2018
Contractually Required Contribution	\$ 85,725	\$ 74,076
Contribution in Relation to the Contractually Required Contribution	(85,725)	(74,076)
Contribution Deficiency (Excess)	\$ -	\$ -
District's Covered Payroll	\$ 8,335,033	\$ 7,852,938
Contributions as a Percentage of Covered Payroll	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, 2019

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

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, 2018, was developed using a roll-forward method from the August 31, 2017.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.
- The discount rate changed from 8% as of August 31, 2017, to 6.907% as of August 31, 2018.
- The long term assumed rate of return changed from 8% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

Note B - TRS OPEB Plan

Changes of Benefit Terms

The 85th Legislature, Regular Session passed the following statutory changes which became effective on September 1, 2017:

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

BRADY INDEPENDENT SCHOOL DISTRICT  
Notes to the Required Supplementary Information - Continued  
August 31, 2019

Note B - TRS OPEB Plan - Continued

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:

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

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

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
- 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.

Other Supplementary Information

BRADY INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2019

Data Control Codes	205  Head Start	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ 9,514	\$ -
1240 Due from Other Governments	13,246	41,738	11,331	-
1260 Due from Other Funds	-	-	113	-
1410 Prepayments	-	-	-	-
1000 Total Assets	<u>\$ 13,246</u>	<u>\$ 41,738</u>	<u>\$ 20,958</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ -	\$ -	\$ 427	\$ -
2160 Accrued Wages Payable	7,986	18,493	10,055	-
2170 Due to Other Funds	3,069	21,726	-	-
2200 Accrued Expenditures	757	1,519	208	-
2300 Unearned Revenue	1,434	-	-	-
2000 Total Liabilities	<u>13,246</u>	<u>41,738</u>	<u>10,690</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	10,268	-
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>10,268</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 13,246</u>	<u>\$ 41,738</u>	<u>\$ 20,958</u>	<u>\$ -</u>

255 ESEA II, A Training and Recruiting	265 Title IV, B Community Learning	270 ESEA VI, Pt B Rural & Low Income	289 ESEA IV, A Support and Enrichment	313 SSA IDEA-Part B, Formula	314 SSA IDEA-Part B, Preschool	315 SSA IDEA-Part B, Discretionary	410 State Instructional Materials
\$ -	\$ -	\$ (16)	\$ -	\$ (34,561)	\$ (315)	\$ -	\$ 657
4,531	8,982	16	5,222	70,848	2,033	-	88,087
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 4,531</u>	<u>\$ 8,982</u>	<u>\$ -</u>	<u>\$ 5,222</u>	<u>\$ 36,287</u>	<u>\$ 1,718</u>	<u>\$ -</u>	<u>\$ 88,744</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,924	-	-	1,646	32,726	1,548	-	-
2,396	8,982	-	3,396	-	-	-	87,894
211	-	-	180	3,561	170	-	-
-	-	-	-	-	-	-	850
<u>4,531</u>	<u>8,982</u>	<u>-</u>	<u>5,222</u>	<u>36,287</u>	<u>1,718</u>	<u>-</u>	<u>88,744</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 4,531</u>	<u>\$ 8,982</u>	<u>\$ -</u>	<u>\$ 5,222</u>	<u>\$ 36,287</u>	<u>\$ 1,718</u>	<u>\$ -</u>	<u>\$ 88,744</u>



BRADY INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2019

Data Control Codes	429 Other State Special Revenue Funds	461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ 55,358	\$ 362,084	\$ 392,721
1240	Due from Other Governments	-	-	-	246,034
1260	Due from Other Funds	-	-	-	113
1410	Prepayments	-	-	1,000	1,000
1000	Total Assets	<u>\$ -</u>	<u>\$ 55,358</u>	<u>\$ 363,084</u>	<u>\$ 639,868</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ -	\$ 662	\$ 1,089
2160	Accrued Wages Payable	-	-	-	74,378
2170	Due to Other Funds	-	-	-	127,463
2200	Accrued Expenditures	-	-	-	6,606
2300	Unearned Revenue	-	-	-	2,284
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>662</u>	<u>211,820</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	10,268
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	55,358	-	55,358
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	362,422	362,422
3000	Total Fund Balances	<u>-</u>	<u>55,358</u>	<u>362,422</u>	<u>428,048</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 55,358</u>	<u>\$ 363,084</u>	<u>\$ 639,868</u>

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

Data Control Codes	205  Head Start	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 139,601	\$ -
5800 State Program Revenues	-	-	2,743	-
5900 Federal Program Revenues	131,366	324,792	520,642	17,415
5020 Total Revenues	131,366	324,792	662,986	17,415
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	105,982	141,986	-	17,415
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	3,446	14,598	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	128,712	-	-
0032 Social Work Services	21,638	39,496	-	-
0035 Food Services	-	-	702,521	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	300	-	1,137	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	131,366	324,792	703,658	17,415
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(40,672)	-
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	40,871	-
1200 Net Change in Fund Balance	-	-	199	-
0100 Fund Balance - September 1 (Beginning)	-	-	10,069	-
1300 Increase (Decrease) in Fund Balance	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ 10,268	\$ -

255 ESEA II, A Training and Recruiting	265 Title IV, B Community Learning	270 ESEA VI, Pt B Rural & Low Income	289 ESEA IV, A Support and Enrichment	313 SSA IDEA-Part B, Formula	314 SSA IDEA-Part B, Preschool	315 SSA IDEA-Part B, Discretionary	410 State Instructional Materials
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-	-	-	102,788
43,877	321,748	18,757	26,531	524,174	22,724	7,981	-
43,877	321,748	18,757	26,531	524,174	22,724	7,981	102,788
33,693	321,748	12,233	26,531	292,049	13,321	-	102,788
-	-	-	-	-	-	-	-
10,184	-	6,524	-	1,263	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	144,829	9,403	7,981	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	4,866	-	-	-
-	-	-	-	1,167	-	-	-
-	-	-	-	80,000	-	-	-
43,877	321,748	18,757	26,531	524,174	22,724	7,981	102,788
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-

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

Data Control Codes	429 Other State Special Revenue Funds	461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ 86,194	\$ -	\$ 225,795
5800 State Program Revenues	100	-	-	105,631
5900 Federal Program Revenues	-	-	185,394	2,145,401
5020 Total Revenues	100	86,194	185,394	2,476,827
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	-	-	-	1,067,746
0012 Instructional Resources and Media Services	-	122	-	122
0013 Curriculum and Instructional Staff Development	100	-	-	36,115
0021 Instructional Leadership	-	-	18,111	18,111
0023 School Leadership	-	1,389	-	1,389
0031 Guidance, Counseling, and Evaluation Services	-	-	-	290,925
0032 Social Work Services	-	-	-	61,134
0035 Food Services	-	-	-	702,521
0036 Extracurricular Activities	-	87,609	-	87,609
0041 General Administration	-	-	2,059	2,059
0051 Facilities Maintenance and Operations	-	-	19,087	20,524
0053 Data Processing Services	-	-	-	4,866
0061 Community Services	-	-	-	1,167
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	80,000
6030 Total Expenditures	100	89,120	39,257	2,374,288
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(2,926)	146,137	102,539
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	40,871
1200 Net Change in Fund Balance	-	(2,926)	146,137	143,410
0100 Fund Balance - September 1 (Beginning)	-	-	-	10,069
1300 Increase (Decrease) in Fund Balance	-	58,284	216,285	274,569
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 55,358	\$ 362,422	\$ 428,048

Required TEA Schedules

BRADY INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED AUGUST 31, 2019

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	Various	Various	\$ Various
2011	1.040000	0.327500	363,644,370
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 (School year under audit)	1.040000	0.259766	552,869,063
1000 TOTALS			

The assessed value for maintenance and operations was \$478,287,713, and the assessed value for interest and sinking was \$552,869,063.

(10) Beginning Balance 9/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2019
\$ 27,819	\$ -	\$ 74	\$ 17	\$ (58)	\$ 27,670
4,927	-	151	47	(115)	4,614
2,881	-	67	21	(11)	2,782
3,058	-	84	138	(11)	2,825
5,686	-	205	180	-	5,301
6,319	-	403	252	(68)	5,596
10,984	-	1,820	588	(351)	8,225
25,862	-	11,238	3,502	(488)	10,634
111,063	-	58,711	18,196	(6,560)	27,596
-	6,410,358	4,899,012	1,416,707	-	94,639
<u>\$ 198,599</u>	<u>\$ 6,410,358</u>	<u>\$ 4,971,765</u>	<u>\$ 1,439,648</u>	<u>\$ (7,662)</u>	<u>\$ 189,882</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, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 143,202	\$ 143,202	\$ 139,601	\$ (3,601)
5800 State Program Revenues	3,282	3,282	2,743	(539)
5900 Federal Program Revenues	525,303	542,645	520,642	(22,003)
5020 Total Revenues	671,787	689,129	662,986	(26,143)
<b>EXPENDITURES:</b>				
Current:				
0035 Food Services	718,881	737,229	702,521	34,708
0051 Facilities Maintenance and Operations	1,900	1,900	1,137	763
6030 Total Expenditures	720,781	739,129	703,658	35,471
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(48,994)	(50,000)	(40,672)	9,328
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	50,000	50,000	40,871	(9,129)
1200 Net Change in Fund Balances	1,006	-	199	199
0100 Fund Balance - September 1 (Beginning)	10,069	10,069	10,069	-
3000 Fund Balance - August 31 (Ending)	\$ 11,075	\$ 10,069	\$ 10,268	\$ 199



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, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 1,423,649	\$ 1,458,649	\$ 1,507,525	\$ 48,876
5800 State Program Revenues	40,117	40,117	42,776	2,659
5900 Federal Program Revenues	4,418	4,418	-	(4,418)
5020 Total Revenues	<u>1,468,184</u>	<u>1,503,184</u>	<u>1,550,301</u>	<u>47,117</u>
<b>EXPENDITURES:</b>				
Debt Service:				
0071 Principal on Long-Term Debt	840,000	840,000	840,000	-
0072 Interest on Long-Term Debt	625,184	660,184	659,042	1,142
0073 Bond Issuance Cost and Fees	3,000	3,000	500	2,500
6030 Total Expenditures	<u>1,468,184</u>	<u>1,503,184</u>	<u>1,499,542</u>	<u>3,642</u>
1100 Excess of Revenues Over Expenditures	-	-	50,759	50,759
<b>OTHER FINANCING SOURCES (USES):</b>				
7916 Premium or Discount on Issuance of Bonds	-	-	3,508	3,508
1200 Net Change in Fund Balances	-	-	54,267	54,267
0100 Fund Balance - September 1 (Beginning)	1,466,028	1,466,028	1,466,028	-
1300 Increase (Decrease) in Fund Balance	-	-	(10,517)	(10,517)
3000 Fund Balance - August 31 (Ending)	<u>\$ 1,466,028</u>	<u>\$ 1,466,028</u>	<u>\$ 1,509,778</u>	<u>\$ 43,750</u>

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

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

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 14, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-001.

**District's Response to Findings**

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

**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*

January 14, 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, 2019. 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, 2019.

### **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*

January 14, 2020

BRADY INDEPENDENT SCHOOL DISTRICT  
 Schedule of Findings and Questioned Costs  
 Year Ended August 31, 2019

**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? X Yes \_\_\_ 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>
	Special Education Cluster
84.027	IDEA - Part B, Formula
84.027	IDEA - Part B, Discretionary
84.173	IDEA - Part B, Preschool

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, 2019

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

None

**D. Findings - State Compliance**

Reference Number: 2019-001

Criteria:

Section 44.031 of the Texas Education Code states that purchases involving more than \$50,000 must be advertised once a week for two weeks in a newspaper published in the County where the District is located.

Condition:

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

Cause:

The District's personnel were not knowledgeable about the competitive procurement procedures.

Effect:

Because competitive procurement procedures were not followed the District may not have obtained the best value for these projects.

Auditor's Recommendation:

The District should become knowledgeable about state purchasing laws and comply with them.

Management's Response:

The District will become knowledgeable about state purchasing laws and comply with them.



# Brady Independent School District

1003 West 11<sup>th</sup>

Brady, Texas 76825

## Schedule of Status of Prior Findings Year Ended August 31, 2019

(Prepared by the District's Management)

### Prior Year Finding:

2018-001 After initially closing its books, the District subsequently recorded adjustments to properly rollforward beginning fund balance for the General Fund, as a result of audit procedures, which if not recorded, would have resulted in a misstatement of the District's financial statements.

### Status of Prior Year Finding:

This condition did not exist in the current year.

# Brady Independent School District

1003 West 11<sup>th</sup>  
Brady, Texas 76825

Corrective Action Plan  
Year Ended August 31, 2019

(Prepared by the District's Management)

The Brady Independent School District submits the following corrective action plan for the year ended August 31, 2019:

## Findings - State Compliance

2019-001 Competitive Bidding

### Recommendation:

The District should become knowledgeable about state purchasing laws and comply with them.

### Action Taken:

The District will become knowledgeable about state purchasing laws and comply with them.

Anticipated Completion Date: Throughout Fiscal Year Ending August 31, 2020

## Contact Person

Dennis Hill, Interim Superintendent  
325/597-2301

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through Education Service Center</u>			
*SSA - IDEA - Part B, Discretionary	84.027	H027A170008	\$ 7,981
Total Passed Through Education Service Center			7,981
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19-610101160901	304,780
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20-610101160901	20,012
Total CFDA Number 84.010A			324,792
*SSA - IDEA - Part B, Formula	84.027	18-6600011609016600	136,538
*SSA - IDEA - Part B, Formula	84.027	19-6600011609016600	351,349
*SSA - IDEA - Part B, Formula	84.027	20-6600011609016600	36,287
Total CFDA Number 84.027			524,174
*SSA - IDEA - Part B, Preschool	84.173	18-6610011609016610	10,085
*SSA - IDEA - Part B, Preschool	84.173	19-6610011609016610	10,921
*SSA - IDEA - Part B, Preschool	84.173	20-6610011609016610	1,718
Total CFDA Number 84.173			22,724
Total Special Education Cluster (IDEA)			554,879
Career and Technical - Basic Grant	84.048	19-420006160901	17,415
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287	19-6950267110030	312,766
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287	20-6950267110030	8,982
Total CFDA Number 84.287			321,748
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	19-696001160901	18,757
ESEA, Title II, Part A - Supporting Effective Inst	84.367A	19-694501160901	41,741
ESEA, Title II, Part A - Supporting Effective Inst	84.367A	20-694501160901	2,136
Total CFDA Number 84.367A			43,877
ESEA, Title IV, Part A, Subpart 1	84.424A	19-680101160901	24,705
ESEA, Title IV, Part A, Subpart 1	84.424A	20-680101160901	1,826
Total CFDA Number 84.424A			26,531
Total Passed Through State Department of Education			1,300,018
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			1,307,999
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through Education Service Center</u>			
Head Start	93.600	19-06CH7152/01	105,494
Head Start	93.600	20-06CH7152/01	25,872
Total CFDA Number 93.600			131,366
Total Passed Through Education Service Center			131,366
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			131,366
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	19-160901	154,010
*National School Lunch Program - Cash Assistance	10.555	19-160901	307,839
*National School Lunch Prog. - Non-Cash Assistance	10.555	19-160901	41,451
Total CFDA Number 10.555			349,290

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Total Child Nutrition Cluster			503,300
2016 NSLP Equipment Assistance Grant Reallocation	10.579	6TX300355	17,342
Total Passed Through the State Department of Agriculture			520,642
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>520,642</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 1,960,007</b>

\*Clustered Programs

BRADY INDEPENDENT SCHOOL DISTRICT  
Notes to the Schedule of Expenditures of Federal Awards  
August 31, 2019

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, 2018. 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	\$ 1,960,007
School Health and Related Services (SHARS) Program	<u>185,394</u>
Federal Program Revenues Per Exhibit C-3	<u><u>\$ 2,145,401</u></u>