

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

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CERTIFICATE OF THE BOARD

BRONTE INDEPENDENT SCHOOL DISTRICT

Name of School District

COKE

County

041-901

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 20<sup>th</sup> day of JANUARY, 2020

Ashley Braswell  
Signature of Board Secretary

Blake Braswell  
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  
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Megan Solsbery, CPA

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Bronte Independent School District  
P.O. Box 670  
Bronte, TX 76933-0670

**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 Bronte 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 Bronte Independent School District as of August 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, 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, 45 and 46 through 51, 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 Bronte 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 other supplementary information is the responsibility of management and was derived from and relates 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 is 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 8, 2020, on our consideration of the Bronte 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 Bronte 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 Bronte Independent School District's internal control over financial reporting and compliance.

***Eckert & Company, LLP***

January 8, 2020



Jennifer Englert  
Elem Principal

Tim Siler, Superintendent  
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Doug Kuhlmann  
HS Principal

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Bronte 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 \$9,364,908 (net position). Of this amount, \$2,553,702 (unrestricted) may be used to meet the District's ongoing obligations.

The District's total net position decreased by \$12,886. This amount consists of a \$173,068 increase attributable to current year operations and a \$185,954 decrease attributable to prior period adjustments described in Note IV., K. to the financial statements. The District's statement of activities shows total revenues of \$3,701,304 and total expenses of \$3,528,236.

The total fund balance of the General Fund is \$3,973,615 which is an increase of \$411,263 or 12% 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, 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 which is considered to be a major fund. Data from other governmental funds are combined into a single, aggregated presentation.

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

**Proprietary Funds** - The District's Internal Service Fund is used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for its workers' compensation insurance program. Because this service benefit governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The Internal Service Fund is presented in the proprietary fund financial statements.

**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. The accounting used for fiduciary funds is much like that used for proprietary funds.

**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	\$ 4,366,577	\$ 3,781,748
Capital Assets	<u>6,811,206</u>	<u>7,254,923</u>
Total Assets	<u>\$ 11,177,783</u>	<u>\$ 11,036,671</u>
Deferred Outflows of Resources	<u>\$ 1,033,434</u>	<u>\$ 213,299</u>
Long-Term Liabilities Outstanding	\$ 2,063,749	\$ 1,209,645
Other Liabilities	<u>228,331</u>	<u>142,175</u>
Total Liabilities	<u>\$ 2,292,080</u>	<u>\$ 1,351,820</u>
Deferred Inflows of Resources	<u>\$ 554,229</u>	<u>\$ 520,356</u>
Net Position		
Net Investment in Capital Asset	\$ 6,811,206	\$ 7,254,923
Unrestricted	<u>2,553,702</u>	<u>2,122,871</u>
Total Net Position	<u><u>\$ 9,364,908</u></u>	<u><u>\$ 9,377,794</u></u>

A large portion of the District's net position (\$6,811,206) reflects the District's investment in capital assets. 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. The remaining balance of unrestricted net position (\$2,553,702) may be used to meet the District's ongoing obligations.



## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Government-Wide Financial Analysis - Continued

**Governmental Activities** - Governmental activities increased the District's net position by \$173,068 and decreased the District's net position by \$141,232 for the fiscal years ended August 31, 2019 and 2018, respectively. Key elements of these increases (decreases) are as follows:

#### CHANGES IN NET POSITION

	Governmental Activities	
	Year Ended August 31,	
	2019	2018
Revenues		
Program Revenues		
Charges for Services	\$ 46,536	\$ 50,179
Operating Grants and Contributions	450,416	(447,758)
General Revenues		
Maintenance and Operations Taxes	1,385,369	1,162,408
State Aid - Formula Grants	1,581,369	1,584,540
Investment Earnings	45,733	30,679
Other	191,881	10,630
Total Revenues	<u>\$ 3,701,304</u>	<u>\$ 2,390,678</u>
Expenses		
Instruction and Instructional-Related Services	\$ 1,904,985	\$ 1,224,427
Instructional and School Leadership	178,972	107,792
Support Services - Student (Pupil)	547,265	431,497
Administrative Support Services	352,155	274,675
Support Services - Nonstudent Based	499,091	449,971
Intergovernmental Charges	45,768	43,548
Total Expenses	<u>3,528,236</u>	<u>\$ 2,531,910</u>
Change in Net Position	\$ 173,068	\$ (141,232)
Net Position - Beginning	9,377,794	10,680,163
Prior Period Adjustments	<u>(185,954)</u>	<u>(1,161,137)</u>
Net Position - Ending	<u>\$ 9,364,908</u>	<u>\$ 9,377,794</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 \$3,973,615, an increase of \$400,840 or 11% in comparison with the prior year. This fund balance is reported as follows:

General Fund \$3,973,615. Of this balance \$2,650,000 is committed for future construction.

### General Fund Budget

The original budget for the General Fund was \$2,934,897, and the final amended budget was \$3,273,414 which represents a \$338,517 increase in appropriations. Variances between the original budget and the final amended budget are reflected in Exhibit F-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 \$3,034,166 for the fiscal year 2020, which is a decrease of \$239,248 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., H. 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: Tim Siler, Superintendent, Bronte Independent School District, P.O. Box 670, Bronte, TX 76933-0670.

## Basic Financial Statements

BRONTE 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	\$ 3,963,409
1220 Property Taxes - Delinquent	71,759
1230 Allowance for Uncollectible Taxes	(27,942)
1240 Due from Other Governments	336,575
1250 Accrued Interest	1,172
1267 Due from Fiduciary Funds	21,604
Capital Assets:	
1510 Land	76,702
1520 Buildings, Net	6,595,233
1530 Furniture and Equipment, Net	139,271
1000 Total Assets	11,177,783
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflow Related to TRS Pension	495,718
1706 Deferred Outflow Related to TRS OPEB	537,716
1700 Total Deferred Outflows of Resources	1,033,434
<b>LIABILITIES</b>	
2110 Accounts Payable	55,913
2150 Payroll Deductions and Withholdings	1,942
2160 Accrued Wages Payable	135,550
2180 Due to Other Governments	11,504
2200 Accrued Expenses	3,326
2300 Unearned Revenue	20,096
Noncurrent Liabilities:	
2540 Net Pension Liability (District's Share)	737,483
2545 Net OPEB Liability (District's Share)	1,326,266
2000 Total Liabilities	2,292,080
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS Pension	134,832
2606 Deferred Inflow Related to TRS OPEB	419,397
2600 Total Deferred Inflows of Resources	554,229
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	6,811,206
3900 Unrestricted	2,553,702
3000 Total Net Position	\$ 9,364,908

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

BRONTE 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	
	Expenses	Charges for Services	Operating Grants and Contributions	6 Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 1,863,723	\$ -	\$ 282,733	\$ (1,580,990)
12 Instructional Resources and Media Services	39,095	-	3,724	(35,371)
13 Curriculum and Instructional Staff Development	2,167	-	-	(2,167)
23 School Leadership	178,972	-	13,026	(165,946)
31 Guidance, Counseling, and Evaluation Services	76,002	-	7,353	(68,649)
33 Health Services	285	-	19	(266)
34 Student (Pupil) Transportation	38,294	-	2,613	(35,681)
35 Food Services	140,742	30,419	85,496	(24,827)
36 Extracurricular Activities	291,942	16,117	17,919	(257,906)
41 General Administration	352,155	-	13,978	(338,177)
51 Facilities Maintenance and Operations	367,740	-	13,373	(354,367)
52 Security and Monitoring Services	14,616	-	925	(13,691)
53 Data Processing Services	116,735	-	9,257	(107,478)
93 Payments Related to Shared Services Arrangements	45,768	-	-	(45,768)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 3,528,236</u>	<u>\$ 46,536</u>	<u>\$ 450,416</u>	<u>(3,031,284)</u>

Data  
Control  
Codes

General Revenues:

Taxes:

MT	Property Taxes, Levied for General Purposes	1,385,369
SF	State Aid - Formula Grants	1,581,369
IE	Investment Earnings	45,733
MI	Miscellaneous Local and Intermediate Revenue	191,881
TR	Total General Revenues	<u>3,204,352</u>
CN	Change in Net Position	173,068
NB	Net Position - Beginning	9,377,794
PA	Prior Period Adjustments	(185,954)
NE	Net Position - Ending	<u>\$ 9,364,908</u>

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

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

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 3,923,004	\$ 35,498	\$ 3,958,502
1220 Property Taxes - Delinquent	71,759	-	71,759
1230 Allowance for Uncollectible Taxes	(27,942)	-	(27,942)
1240 Due from Other Governments	329,931	6,644	336,575
1250 Accrued Interest	1,172	-	1,172
1260 Due from Other Funds	23,946	-	23,946
1000 Total Assets	<u>\$ 4,321,870</u>	<u>\$ 42,142</u>	<u>\$ 4,364,012</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 38,662	\$ 3,955	\$ 42,617
2150 Payroll Deductions and Withholdings Payable	1,942	-	1,942
2160 Accrued Wages Payable	131,723	3,827	135,550
2170 Due to Other Funds	33,831	2,342	36,173
2180 Due to Other Governments	-	11,504	11,504
2200 Accrued Expenditures	2,908	418	3,326
2300 Unearned Revenue	-	20,096	20,096
2000 Total Liabilities	<u>209,066</u>	<u>42,142</u>	<u>251,208</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	43,817	-	43,817
2602 Unavailable Revenue - Due from Other Govts.	95,372	-	95,372
2600 Total Deferred Inflows of Resources	<u>139,189</u>	<u>-</u>	<u>139,189</u>
<b>FUND BALANCES</b>			
Committed Fund Balance:			
3510 Construction	2,650,000	-	2,650,000
3600 Unassigned Fund Balance	1,323,615	-	1,323,615
3000 Total Fund Balances	<u>3,973,615</u>	<u>-</u>	<u>3,973,615</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 4,321,870</u>	<u>\$ 42,142</u>	<u>\$ 4,364,012</u>

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

BRONTE 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>	\$ 3,973,615
1 The District uses an internal service fund to charge the costs of workers' compensation insurance to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	25,442
2 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net position.	7,254,923
3 Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays is to increase net position.	134,866
4 Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(244,665)
5 Included in the items related to debt are the recognition of the District's proportionate share of the net pension liability required by GASB 68 and related deferred resources outflows and deferred resources inflows. The net effect of these adjustments is to decrease net position.	(376,597)
6 Included in the items related to debt are the recognition of the District's proportionate share of the net other postemployment benefits liability required by GASB 75 and related deferred resources outflows and deferred resources inflows. The net effect of these adjustments is to decrease net position.	(1,207,947)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, and a prior period adjustment of net capital assets. The net effect of these reclassifications and recognitions is to decrease net position.	(194,729)
<b>19 Net Position of Governmental Activities</b>	<u><u>\$ 9,364,908</u></u>

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

BRONTE 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	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 1,631,856	\$ 30,419	\$ 1,662,275
5800 State Program Revenues	1,713,428	69,084	1,782,512
5900 Federal Program Revenues	-	163,758	163,758
5020 Total Revenues	<u>3,345,284</u>	<u>263,261</u>	<u>3,608,545</u>
EXPENDITURES:			
Current:			
0011 Instruction	1,512,752	147,727	1,660,479
0012 Instructional Resources and Media Services	34,377	-	34,377
0013 Curriculum and Instructional Staff Development	2,167	-	2,167
0023 School Leadership	150,089	-	150,089
0031 Guidance, Counseling, and Evaluation Services	65,676	-	65,676
0033 Health Services	284	-	284
0034 Student (Pupil) Transportation	34,795	-	34,795
0035 Food Services	231	124,059	124,290
0036 Extracurricular Activities	263,202	-	263,202
0041 General Administration	325,100	-	325,100
0051 Facilities Maintenance and Operations	438,140	-	438,140
0052 Security and Monitoring Services	13,067	-	13,067
0053 Data Processing Services	105,339	-	105,339
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	45,768	-	45,768
6030 Total Expenditures	<u>2,990,987</u>	<u>271,786</u>	<u>3,262,773</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>354,297</u>	<u>(8,525)</u>	<u>345,772</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	8,525	8,525
8911 Transfers Out (Use)	(8,525)	-	(8,525)
7080 Total Other Financing Sources (Uses)	<u>(8,525)</u>	<u>8,525</u>	<u>-</u>
1200 Net Change in Fund Balances	345,772	-	345,772
0100 Fund Balance - September 1 (Beginning)	3,562,352	10,423	3,572,775
1300 Increase (Decrease) in Fund Balance	<u>65,491</u>	<u>(10,423)</u>	<u>55,068</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 3,973,615</u>	<u>\$ -</u>	<u>\$ 3,973,615</u>

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



BRONTE 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>	\$ 345,772
The District uses an internal service fund to charge the costs of self-insurance to appropriate functions in other funds. The net income (loss) of the internal service fund is reported with governmental activities. The net effect of this consolidation is to decrease net position.	(1,150)
Current year 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. The net effect of removing capital outlays is to increase net position.	134,866
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(244,665)
Current year changes due to GASB 68 include adjustments to net pension liability, deferred resources outflows, deferred resources inflows, and the corresponding effect on pension expense. The net effect of these adjustments is to decrease net position.	(22,088)
Current year changes due to GASB 75 include adjustments to the net other postemployment benefits liability, deferred resources outflows, deferred resources inflows, and the corresponding effect on other postemployment benefits expense. The net effect of these adjustments is to decrease net position.	(46,911)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase net position.	7,244
<b>Change in Net Position of Governmental Activities</b>	<u>\$ 173,068</u>

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

BRONTE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2019

	Governmental Activities -
	Internal Service Fund
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 4,907
Due from Other Funds	<u>33,831</u>
Total Assets	<u>38,738</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	<u>13,296</u>
Total Liabilities	<u>13,296</u>
NET POSITION	
Unrestricted Net Position	<u>25,442</u>
Total Net Position	<u><u>\$ 25,442</u></u>

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

BRONTE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2019

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 6,000
Total Operating Revenues	6,000
OPERATING EXPENSES:	
Other Operating Costs	7,150
Total Operating Expenses	7,150
Operating Income (Loss)	(1,150)
Total Net Position - September 1 (Beginning)	23,843
Prior Period Adjustment	2,749
Total Net Position - August 31 (Ending)	\$ 25,442

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

BRONTE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2019

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Assessments - Other Funds	\$ 6,000
Cash Payments for Insurance Claims	(1,345)
Cash Payments for Administrative Fees	(5,650)
Net Cash Used for Operating Activities	(995)
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Increase (Decrease) in Due from Other Funds	5,650
Net Increase in Cash and Cash Equivalents	4,655
Cash and Cash Equivalents at Beginning of Year	252
Cash and Cash Equivalents at End of Year	\$ 4,907
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (1,150)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (Decrease) in Accounts Payable	155
Net Cash Used for Operating Activities	\$ (995)

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

BRONTE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2019

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 47,514
Total Assets	<u>\$ 47,514</u>
LIABILITIES	
Accounts Payable	\$ 3,159
Due to Other Funds	21,604
Due to Student Groups	22,751
Total Liabilities	<u>\$ 47,514</u>

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

BRONTE INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements  
August 31, 2019

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Bronte 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 Bronte 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.

Interfund activities between governmental funds and proprietary funds appear as due to/due froms on the governmental funds balance sheet and on the proprietary funds statement of net position and as other resources and other uses on the governmental funds statement of revenues, expenditures, and changes in fund balance and on the proprietary funds statement of revenues, expenses, and changes in fund net position. All interfund transactions between governmental funds and between governmental funds and internal service 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, proprietary 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with a proprietary fund's ongoing operations. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

BRONTE 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**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are 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 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 fund:

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.

Additionally, the government reports the following fund types:

The Internal Service Fund accounts for the operations of a self-insured workers' compensation insurance program.

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

**D. Cash and Cash Equivalents - Proprietary Funds**

For purposes of the statement of cash flows for proprietary fund types, the District considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents.

**E. 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.

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

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

**F. Receivables and Payables**

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

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

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

**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	8-50
Vehicles	8
Furniture and Equipment	5-10

**H. 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.

**I. 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.



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

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

**J. 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.

**K. 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.

**L. 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 capital assets net of accumulated depreciation.

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.

**M. Fund Balances/Equity**

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

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.

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.

Unrestricted net position for proprietary funds represents the net position available for future operations.

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

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

**N. 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.

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.

**O. Interfund Transfers**

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

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budget**

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

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

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

**B. Excess Expenditures Over Appropriations**

Expenditures exceeded appropriations in two functions as shown on Exhibit F-1.

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

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

**A. Deposits and Investments**

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

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

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

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

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At August 31, 2019, the District was not significantly exposed to credit risk.

**Interest Rate Risk:** Not applicable

**Foreign Currency Risk:** Not applicable

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

	<u>Fair Value</u>	<u>Percent</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
<u>Public Funds Investment Pools</u>				
Lone Star				
Government Overnight Fund	<u>\$ 1,747,936</u>	<u>100%</u>	27 Days	AAAm

BRONTE 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**

Public Funds Investment Pools

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

The District's investment in Pools is reported at an amount determined by the fair value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940.

**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	\$ 229,329	\$ 0	\$ 100,602	\$ 329,931
Special Revenue Funds	<u>0</u>	<u>6,644</u>	<u>0</u>	<u>6,644</u>
Totals	<u>\$ 229,329</u>	<u>\$ 6,644</u>	<u>\$ 100,602</u>	<u>\$ 336,575</u>

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

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

**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	\$ 2,342	\$ 0	Operating Advance
Internal Service Funds	0	33,831	Operating Advance
Fiduciary Funds	<u>21,604</u>	<u>0</u>	Operating Advance
	\$ 23,946	\$ 33,831	
Nonmajor Governmental Funds			
General Fund	0	2,342	Operating Advance
Internal Service Funds			
General Fund	33,831	0	Operating Advance
Fiduciary Funds			
General Fund	<u>0</u>	<u>21,604</u>	Operating Advance
Totals	<u>\$ 57,777</u>	<u>\$ 57,777</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	Food Service Fund	<u>\$ 8,525</u>	Subsidize Food Services

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

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

**D. Capital Assets**

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Capital Assets					
Land	\$ 76,702	\$ 0	\$ 0	\$ 0	\$ 76,702
Buildings and Improvements	11,343,168	26,685	0	(27,000)	11,342,853
Furniture and Equipment	<u>1,716,602</u>	<u>108,181</u>	<u>0</u>	<u>(716,708)</u>	<u>1,108,075</u>
Total Capital Assets	<u>\$ 13,136,472</u>	<u>\$ 134,866</u>	<u>\$ 0</u>	<u>\$ (743,708)</u>	<u>\$ 12,527,630</u>
Less Accumulated Depreciation					
Buildings and Improvements	\$ (4,230,683)	\$ (217,440)	\$ 0	\$ (299,497)	\$ (4,747,620)
Furniture and Equipment	<u>(1,650,866)</u>	<u>(27,225)</u>	<u>0</u>	<u>709,287</u>	<u>(968,804)</u>
Total Accumulated Depreciation	<u>\$ (5,881,549)</u>	<u>\$ (244,665)</u>	<u>\$ 0</u>	<u>\$ 409,790</u>	<u>\$ (5,716,424)</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 7,254,923</u></u>	<u><u>\$ (109,799)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ (333,918)</u></u>	<u><u>\$ 6,811,206</u></u>

Depreciation expense was charged to governmental activities functions as follows:

Instruction	\$ 154,212
Instructional Resources and Media Services	3,340
School Leadership	15,569
Guidance, Counseling, and Evaluation Services	6,926
Student (Pupil) Transportation	2,514
Food Services	6,381
Extracurricular Activities	17,810
General Administration	16,259
Facilities Maintenance and Operations	12,895
Security and Monitoring Services	755
Data Processing Services	<u>8,004</u>
Total	<u><u>\$ 244,665</u></u>

**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.

BRONTE 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 - Continued**

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

Deferred Outflows (Statement of Net Position)

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.

Unavailable revenue - due from other governments.

**F. Due to Other Governments**

Amounts due to other governments are summarized as follows:

	Special Revenue Funds
	<hr/>
Due to State - ESEA, Title I Overpayment	\$ 11,504
	<hr/> <hr/>

**G. Unearned Revenue**

Unearned revenue at year end consisted of the following:

	Special Revenue Funds
	<hr/>
Food Service (Local)	\$ 2,306
State Grants	17,790
	<hr/>
Totals	\$ 20,096
	<hr/> <hr/>

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

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

**H. Long-Term Debt**

The District's long-term liabilities consist of net pension liability and net other postemployment benefits liability. 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>					
Net Pension Liability	\$ 390,944	\$ 391,675	\$ 45,136	\$ 737,483	\$ -
Net OPEB Liability	818,701	525,889	18,324	1,326,266	-
Totals	<u>\$ 1,209,645</u>	<u>\$ 917,564</u>	<u>\$ 63,460</u>	<u>\$ 2,063,749</u>	<u>\$ -</u>

**I. Outstanding Encumbrances**

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

**J. Revenues from Local and Intermediate Sources**

	General Fund	Special Revenue Funds	Total
Property Taxes	\$ 1,394,327	\$ 0	\$ 1,394,327
Other Local Sources	221,412	0	221,412
Cocurricular, Enterprising Services, or Activities	16,117	30,419	46,536
Totals	<u>\$ 1,631,856</u>	<u>\$ 30,419</u>	<u>\$ 1,662,275</u>

**IV. OTHER INFORMATION**

**A. Defined Benefit Pension Plan**

**Plan Description** - The Bronte 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.



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

**IV. OTHER INFORMATION**

**A. Defined Benefit Pension Plan - Continued**

**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.

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		\$ 49,592
District's 2019 Member Contributions		138,474
District's 2018 NECE On-Behalf Contributions		158,178

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

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

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.

BRONTE 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 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

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

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

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***			-0.79%
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.

BRONTE 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	<u>\$ 1,113,039</u>	<u>\$ 737,483</u>	<u>\$ 433,449</u>

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At August 31, 2019, the Bronte Independent School District reported a net pension liability of \$737,483 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	\$ 737,483
State's Proportionate Share that is Associated with the District	<u>1,598,193</u>
Total	<u>\$ 2,335,676</u>

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 0.0013398453% which was an increase of 0.0001171749% 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.

BRONTE 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 Bronte Independent School District recognized pension expense of \$158,178 and revenue of \$158,178 for support provided by the State in the government-wide statement of activities.

At August 31, 2019, the Bronte Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Actuarial Experience	\$ 4,597	\$ 18,095
Changes in Actuarial Assumptions	265,898	8,309
Net Difference Between Projected and Actual Investment Earnings	-	13,994
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	175,631	94,434
Contributions Paid to TRS Subsequent to the Measurement Date	<u>49,592</u>	<u>-</u>
Totals	<u><u>\$ 495,718</u></u>	<u><u>\$ 134,832</u></u>

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

<u>Year Ending August 31,</u>	<u>Pension Expense Amount</u>
2020	\$ 91,058
2021	61,612
2022	50,391
2023	32,093
2024	42,967
Thereafter	33,173

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

**IV. OTHER INFORMATION - Continued**

**B. Defined Other Postemployment Benefit Plans**

**Plan Description** - The Bronte 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.

**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.

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

**IV. OTHER INFORMATION - Continued**

**A. 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		\$ 20,750
District's 2019 Member Contributions		11,689
District's 2018 NECE On-Behalf Contributions		54,159

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	



BRONTE 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.

BRONTE 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	<u>\$ 1,578,712</u>	<u>\$ 1,326,266</u>	<u>\$ 1,126,565</u>

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability	<u>\$ 1,101,486</u>	<u>\$ 1,326,266</u>	<u>\$ 1,622,307</u>

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs** - At August 31, 2019, the Bronte Independent School District reported a liability of \$1,326,266 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	\$ 1,326,266
State's Proportionate Share that is Associated with the District	<u>1,488,667</u>
Total	<u>\$ 2,814,933</u>

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 0.0026562024% compared to 0.0018826657% as of August 31, 2017. This was an increase of 0.0007735367%.

BRONTE 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 Bronte Independent School District recognized OPEB expense of \$54,159 and revenue of \$54,159 for support provided by the State.

At August 31, 2019, the Bronte 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	\$ 70,380	\$ 20,930
Changes in Actuarial Assumptions	22,132	398,467
Net Difference Between Projected and Actual Investment Earnings	232	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	424,222	-
Contributions Paid to TRS Subsequent to the Measurement Date	<u>20,750</u>	<u>-</u>
Totals	<u><u>\$ 537,716</u></u>	<u><u>\$ 419,397</u></u>

BRONTE 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	\$ 574
2021	574
2022	574
2023	530
2024	504
Thereafter	94,813

**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 \$6,623, \$5,173, and \$5,506, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements.

**D. Health Care Coverage**

The District participates 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.

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

**IV. OTHER INFORMATION - Continued**

**F. Property and Liability Programs**

During the year ended August 31, 2019, the District met its property and casualty obligations through participation in the Public Educators Association of Texas (PEAT). PEAT was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in PEAT execute Interlocal Agreements that define the responsibilities of the parties. PEAT provides statutory property and casualty benefits to its members.

PEAT and its members are protected against higher than expected claims costs through the purchase of fully funded reinsurance. The pool is reviewed by PEAT's reinsurance partners, who then set the actuarial stop loss fund amount.

PEAT 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 PEAT's Board of Trustees. PEAT's audited financial statements as of August 31, 2018, are available at PEAT's offices.

**G. Unemployment Compensation Coverage**

During the year ended August 31, 2019, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its 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, along with other Texas school districts, participates in a partially self-funded plan for workers' compensation benefits as authorized by Section 504.011 of the Labor Code. Claims Administrative Services acts as the third-party administrator of Texas Educational Insurance Association (Pool).

Claims are paid by the third-party administrator acting on behalf of the District under the terms of the contractual agreement. Administrative fees are included within the provisions of that agreement. According to the state statute, the District is protected against claims and aggregate loss by coverage carried through MidWest Employers Casualty Company, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Coverage was in effect for aggregate claims in excess of \$5,000,000 and for specific occurrences exceeding \$1,000,000. The Pool participants are responsible for amounts up to the limit; however, the District's loss fund maximum was \$10,405 for the year ended August 31, 2019.

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

**IV. OTHER INFORMATION - Continued**

**H. Workers' Compensation Insurance - Continued**

Changes in the balances of claims liabilities are as follows:

Unpaid Claims - Beginning		\$ 15,891
Incurred Claims/Adjustments		
Provision for Insured Events - Current Year	\$ 2,238	
Provision for Insured Events - Prior Years	<u>(3,333)</u>	
Total Incurred Claims/Adjustments		(1,095)
Payments		
Claims Attributable to Insured Events - Current Year	\$ (158)	
Claims Attributable to Insured Events - Prior Years	<u>(1,342)</u>	
Total Payments		<u>(1,500)</u>
Unpaid Claims - Ending		<u><u>\$ 13,296</u></u>

**I. Contingencies**

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

**J. Shared Services Arrangement**

The District participates in a shared services arrangement for special education with six other school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The Menard Independent School District is the fiscal agent manager and is responsible for all financial activities of the shared services arrangement.

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

**IV. OTHER INFORMATION - Continued**

**K. 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>	Net Position <u>Exhibit D-2</u>
General Fund			
Foundation Adjustment	\$ 1,291	\$ 1,291	\$ 0
Prior Year's MOE Settle Up	(7,454)	(7,454)	0
Prior Year's Due from State	70,516	70,516	0
Prior Year's Accrued Interest Receivable	1,150	1,150	0
Other Adjustments	<u>(12)</u>	<u>(12)</u>	<u>0</u>
Total General Fund	\$ 65,491	\$ 65,491	\$ 0
Special Revenue Funds			
Prior Year's Unearned Revenue	(10,423)	(10,423)	
Internal Service Fund			
Prior Year's Unpaid Claims	2,749	0	2,749
Prior Year's Net Capital Assets	(333,918)	0	0
Prior Year's Due from Other Governments	<u>90,147</u>	<u>0</u>	<u>0</u>
Totals	<u><u>\$ (185,954)</u></u>	<u><u>\$ 55,068</u></u>	<u><u>\$ 2,749</u></u>

**L. Subsequent Events**

The District's management has evaluated subsequent events through January 8, 2020, the date which the financial statements were available for issue.

Required Supplementary Information



BRONTE 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		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 11,406,632	\$ 1,563,149	\$ 1,631,856	\$ 68,707
5800 State Program Revenues	1,528,565	1,710,265	1,713,428	3,163
5020 Total Revenues	12,935,197	3,273,414	3,345,284	71,870
EXPENDITURES:				
Current:				
0011 Instruction	1,441,216	1,564,966	1,512,752	52,214
0012 Instructional Resources and Media Services	34,679	39,679	34,377	5,302
0013 Curriculum and Instructional Staff Development	3,900	3,900	2,167	1,733
0023 School Leadership	134,912	149,912	150,089	(177)
0031 Guidance, Counseling, and Evaluation Services	68,421	68,421	65,676	2,745
0033 Health Services	650	2,150	284	1,866
0034 Student (Pupil) Transportation	60,868	64,118	34,795	29,323
0035 Food Services	4,900	4,900	231	4,669
0036 Extracurricular Activities	291,315	306,315	263,202	43,113
0041 General Administration	257,699	342,699	325,100	17,599
0051 Facilities Maintenance and Operations	467,942	548,191	438,140	110,051
0052 Security and Monitoring Services	3,300	11,300	13,067	(1,767)
0053 Data Processing Services	109,095	109,095	105,339	3,756
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	44,000	45,768	45,768	-
6030 Total Expenditures	2,922,897	3,261,414	2,990,987	270,427
1100 Excess of Revenues Over Expenditures	10,012,300	12,000	354,297	342,297
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	(12,000)	(12,000)	(8,525)	3,475
1200 Net Change in Fund Balances	10,000,300	-	345,772	345,772
0100 Fund Balance - September 1 (Beginning)	3,562,352	3,562,352	3,562,352	-
1300 Increase (Decrease) in Fund Balance	-	-	65,491	65,491
3000 Fund Balance - August 31 (Ending)	\$ 13,562,652	\$ 3,562,352	\$ 3,973,615	\$ 411,263

BRONTE 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)	0.001339845%	0.00122267%	0.001408607%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 737,483	\$ 390,944	\$ 532,292
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	1,598,193	926,103	1,227,105
Total	<u>\$ 2,335,676</u>	<u>\$ 1,317,047</u>	<u>\$ 1,759,397</u>
District's Covered Payroll	\$ 1,715,601	\$ 1,653,249	\$ 1,790,314
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	42.99%	23.65%	29.73%
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.

FY 2016 Plan Year 2015		FY 2015 Plan Year 2014	
0.0018307%		0.0005748%	
\$	647,128	\$	153,537
1,314,876		1,182,849	
\$	1,962,004	\$	1,336,386
\$	1,838,521	\$	1,837,840
35.20%		8.35%	
78.43%		83.25%	

BRONTE 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	\$ 49,592	\$ 40,329	\$ 39,992
Contribution in Relation to the Contractually Required Contribution	(49,592)	(40,329)	(39,992)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 1,798,368	\$ 1,715,601	\$ 1,653,249
Contributions as a Percentage of Covered Payroll	2.76%	2.35%	2.42%

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.

2016		2015	
\$	44,438	\$	54,209
	(44,438)		(54,209)
\$	-	\$	-
\$	1,790,314	\$	1,838,521
	2.48%		2.95%

BRONTE 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	0.002656202%	0.001882666%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 1,326,266	\$ 818,701
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	1,488,667	1,317,517
Total	<u>\$ 2,814,933</u>	<u>\$ 2,136,218</u>
District's Covered Payroll	\$ 1,715,601	\$ 1,653,249
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	77.31%	49.52%
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.

BRONTE 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	\$ 20,750	\$ 16,640
Contribution in Relation to the Contractually Required Contribution	(20,750)	(16,640)
Contribution Deficiency (Excess)	\$ -	\$ -
District's Covered Payroll	\$ 1,798,368	\$ 1,715,601
Contributions as a Percentage of Covered Payroll	1.15%	0.97%

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.

BRONTE 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.



BRONTE 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

BRONTE 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	0.000000	99,005,248
2012	1.040000	0.000000	101,793,746
2013	1.040000	0.000000	109,148,494
2014	1.040000	0.000000	122,183,041
2015	1.040000	0.000000	116,630,349
2016	1.040000	0.000000	102,040,523
2017	1.040000	0.000000	92,372,752
2018	1.170000	0.000000	99,086,499
2019 (School year under audit)	1.080000	0.000000	131,436,869
1000 TOTALS			

(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
\$ 19,163	\$ -	\$ 228	\$ -	\$ (335)	\$ 18,600
1,756	-	157	-	(216)	1,383
2,017	-	159	-	(234)	1,624
2,755	-	238	-	(34)	2,483
3,230	-	320	-	(36)	2,874
5,312	-	860	-	(36)	4,416
5,110	-	1,184	-	(36)	3,890
9,856	-	4,205	-	(36)	5,615
20,464	-	9,223	-	(316)	10,925
-	1,386,726	1,366,777	-	-	19,949
<u>\$ 69,663</u>	<u>\$ 1,386,726</u>	<u>\$ 1,383,351</u>	<u>\$ -</u>	<u>\$ (1,279)</u>	<u>\$ 71,759</u>

BRONTE 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		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 33,800	\$ 33,800	\$ 30,419	\$ (3,381)
5800 State Program Revenues	1,000	1,000	524	(476)
5900 Federal Program Revenues	90,000	90,000	84,591	(5,409)
5020 Total Revenues	124,800	124,800	115,534	(9,266)
EXPENDITURES:				
Current:				
0035 Food Services	136,800	136,800	124,059	12,741
6030 Total Expenditures	136,800	136,800	124,059	12,741
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,000)	(12,000)	(8,525)	3,475
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	12,000	12,000	8,525	(3,475)
1200 Net Change in Fund Balances	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

## 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  
Bronte Independent School District  
P.O. Box 670  
Bronte, TX 76933-0670

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 Bronte 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 8, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bronte 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 Bronte Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bronte 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, and therefore material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

**Compliance and Other Matters Ezetimibe**

As part of obtaining reasonable assurance about whether the Bronte 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **District's Response to Findings**

The Bronte 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 8, 2020



BRONTE 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	<u>Unmodified</u>	
Internal Control Over Financial Reporting		
Material weaknesses identified?	<u>X</u> Yes	<u>      </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	<u>      </u> Yes	<u>X</u> None Reported
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>X</u> No

**B. Findings - Financial Statements Audit**

Reference Number: 2019-001

Criteria:

*Government Auditing Standards* require proper internal control over financial reporting for governmental entities. Segregation of duties is a key element of internal control.

Condition:

Proper internal control over financial activities was not properly segregated as evidenced by one individual having all of the following responsibilities: control over approving and issuing disbursements and control over recording the financial transactions.

Cause:

The District did not have proper segregation of duties involving the recording of transactions and disbursement of funds.

Effect:

The lack of segregation of duties exposes the District to potential misstatements or misuse of funds.

Auditor's Recommendation:

The District should segregate these duties so that one individual does not approve and issue disbursements and record financial transactions.

Management's Response:

The District will look at the options which are available and work to segregate duties to the extent possible.

BRONTE INDEPENDENT SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs - Continued  
Year Ended August 31, 2019

**C. Findings - State Compliance**

None



# BRONTE INDEPENDENT SCHOOL DISTRICT



Jennifer Englert  
Elem Principal

Tim Siler, Superintendent  
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Doug Kuhlmann  
HS Principal

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

(Prepared by the District's Management)

### Prior Year Finding:

2018-001 Actual expenditures exceeded the budget in several functions and Transfers Out.

### Status of Prior Year Finding:

Actual expenditures exceeded the budget in the current year by insignificant amounts in two functions.



# BRONTE INDEPENDENT SCHOOL DISTRICT



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Elem Principal

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Doug Kuhlmann  
HS Principal

## Corrective Action Plan Year Ended August 31, 2019

(Prepared by the District's Management)

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

### Findings - Financial Statements Audit

2019-001

#### Recommendation:

The District should segregate duties so that one individual does not approve and issue disbursements and record financial transaction.

#### Action Taken:

The District will look at the options which are available and work to segregate duties to the extent possible.

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

### Contact Person

Tim Siler, Superintendent  
325/473-2511

# SCHOOLS FIRST QUESTIONNAIRE

BRONTE INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2019

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	Yes
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	
SF11	Net Pension Assets (1920) at fiscal year-end.	
SF12	Net Pension Liabilities (2540) at fiscal year-end.	737483
SF13	Pension Expense (6147) at fiscal year-end.	

# Eckert & Company

**CERTIFIED PUBLIC ACCOUNTANTS**

**A Limited Liability Partnership**

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January 8, 2020

Board of Trustees and  
Tim Siler, Superintendent  
Bronte Independent School District  
P.O. Box 670  
Bronte, TX 76933-0670

In planning and performing our audit of the basic financial statements of the Bronte Independent School District for the year ended August 31, 2019, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on internal control.

However, during our audit we noted the following items which we feel should be brought to your attention. This letter does not affect our report dated January 8, 2020, on the basic financial statements of the Bronte Independent School District.

The District has a material weakness in internal control as noted in the audit report. There is a lack of segregation of duties with one individual having control over approving and issuing disbursements and recording all financial transactions. We recommend that the District look at all options to insure there is as much segregation of duties as possible. We also recommend that employees in the business office be cross trained in each other's duties so that there is backup in the case of sickness or an employee's leaving the District.

The individual password for employees authorized to use encrypted signatures on checks should not be known to other employees. We recommend that these passwords be reset and protected.

Our review of the District's general ledger shows that some employees of the District are paid for contract services and that these payments are not accounted for through the payroll system. All payments to employees should be accounted for through the payroll system and be included in the employee's gross wages.

The activity funds have a number of accounts that are not fiduciary in nature. The only accounts that should be accounted for in the Student Activity Fund are monies which the students have control over how the money is spent.

The District is using an Internal Service Fund to account for workers' compensation insurance. This fund is not functioning as a true internal service fund, so we recommend that the District close this fund and account for workers' compensation premiums through the General Fund.

We noted that actual expenditures exceeded budgeted amounts in two functions in the General Fund. The budget should be monitored closely and amended as needed.

We appreciate the cooperation and assistance provided to us during the audit. Please contact us if you have any questions concerning the audit report or this letter or if you need our assistance during the year.

*Eckert & Company, LLP*