

**BANQUETE
INDEPENDENT
SCHOOL DISTRICT**



**Annual Financial Report
For the fiscal year
ended August 31, 2020**

Raul Hernandez & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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BANQUETE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2020

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2020

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CERTIFICATE OF BOARD

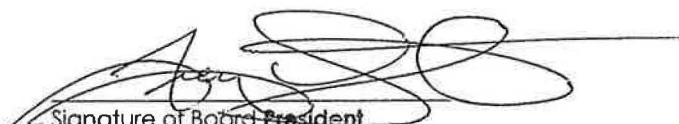
BANQUETE INDEPENDENT SCHOOL DISTRICT
Name of School District

NUECES
County

178-913
Co./Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2020, at a meeting of the Board of Trustees of such school district on the 21st day of January 2021.


Signature of Board **Secretary**


Signature of Board **President**

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

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Raul Hernandez & Company, P.C.

Certified Public Accountants
5402 Holly Rd, Suite 102
Corpus Christi, Texas 78411
Office (361)980-0482 Fax (361)980-1002

INDEPENDENT AUDITORS' REPORT

Banquete Independent School District
4339 4th Street
Banquete, Texas 78339

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 Banquete Independent School District, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the Banquete Independent School 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.

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual- General Fund, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of the District Contributions-Teacher Retirement System of Texas, and Schedule of the District Proportionate Share of the Net OPEB Liability-Teacher Retirement System of Texas, the Schedule of District Contributions to the Teacher Retirement System of Texas OPEB Plan, and the related Notes to Required Supplementary Information as listed in the table of contents 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 Banquete Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements, the TEA required schedules, and schedule of expenditures of federal awards, *as required by Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the TEA required schedules, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the TEA required schedules, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The combining and individual nonmajor fund financial statements, the TEA required schedules, and schedule of expenditures of federal awards have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2021, on our consideration of the Banquete 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 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 Banquete Independent School District's internal control over financial reporting and compliance.

Raul Hernandez & Company, P.C.

Corpus Christi, Texas
January 21, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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BANQUETE INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Banquete Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2020. Please read it in conjunction with the independent auditors' report on page 1, and the District's Basic Financial Statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

The District's financial position of governmental activities increased to \$5,573,191.

During the year, the District had tax revenues of \$6,286,640 for general purposes and \$2,208,604 for debt service. In addition, the District generated \$6,048,484 in grant and contribution revenues.

The General Fund ended the year with a fund balance of \$3,976,537, which is an increase of \$854,786 from the prior year. The Debt Service ended the year with a fund balance of \$655,723, which represents a \$144,999 increase from the prior year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Financial Position and the Statement of Activities on pages 10 and 11. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements starting on page 12 report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements starting on page 22 provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Financial Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Financial Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities of disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's financial position and changes in them. The District's financial position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's financial position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Financial Position and the Statement of Activities, we present the District's one kind of activity:

Governmental activities—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Business-type activities—The District has no business-type activities currently.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds—governmental and proprietary—use different accounting approaches.

Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Financial Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

Proprietary funds—The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Financial Position and the Statement of Activities. In fact, the District's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows. The internal service funds (the other category of proprietary funds) report activities that provide supplies and services for the District's other programs and activities—such as the District's self-insurance programs.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Financial position. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District implemented GASB Statement #34 in 2002. We have presented both current and prior year data and will discuss significant changes in the accounts. Our analysis focuses on the financial position (Table I) and changes in financial position (Table II) of the District's governmental activities.

Financial Position of the District's governmental activities increased from \$3,373,640 to \$5,573,191. Unrestricted financial position – the part of financial position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was (\$378,901) at August 31, 2020, as opposed to (\$1,760,962) in the prior year.

Table 1
Financial Position

	Governmental Activities		
	2020	2019	Change
ASSETS			
Current and other assets	\$ 8,537,248	\$ 5,878,142	\$ 2,659,106
Capital assets	11,804,349	11,798,485	5,864
Total assets	20,341,597	17,676,627	2,664,970
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge for Refunding	847,365	856,506	(9,141)
Deferred Outflow Related to TRS Pension	1,113,102	1,367,598	(254,496)
Deferred Outflow Related to TRS OPEB	1,055,655	592,758	462,897
Total Deferred Outflows of Resources	3,016,122	2,816,862	199,260
LIABILITIES			
Current liabilities	2,825,901	1,315,063	1,510,838
Noncurrent liabilities	12,822,317	14,503,786	(1,681,469)
Total liabilities	15,648,218	15,818,849	(170,631)
DEFERRED INFLOW OF RESOURCES			
Deferred Inflow Related to TRS Pension	389,939	123,742	266,197
Deferred Inflow Related to TRS OPEB	1,746,371	1,277,258	469,113
Total Deferred Inflows of Resources	2,136,310	1,401,000	735,310
NET POSITION			
Invested in capital assets net of related debt	5,057,444	4,434,800	622,644
Restricted	894,648	699,804	194,844
Unrestricted	(378,901)	(1,760,962)	1,382,061
Total net position	\$ 5,573,191	\$ 3,373,642	\$ 2,199,549

	Governmental Activities 2020	Governmental Activities 2019	Change
Revenues:			
Program Revenues:			
Charges for Services	\$ 187,782	\$ 253,821	\$ (66,039)
Operating grants and contributions	881,038	962,680	(81,642)
General Revenues:			
Maintenance and operations taxes	6,286,640	4,897,723	1,388,917
Debt service taxes	2,208,604	1,254,439	954,165
Grants and Contributions not restricted to specific functions	6,048,484	5,182,410	866,074
Investment Earnings	68,231	108,717	(40,486)
Misc Local and Intermediate Revenue	69,393	220,685	(151,292)
Total Revenue	<u>15,750,172</u>	<u>12,880,474</u>	<u>2,869,698</u>
Expenses:			
Instruction, curriculum and media services	7,504,838	6,829,100	675,738
Instructional and school leadership	918,572	692,866	225,706
Student support services	923,016	849,767	73,249
Child nutrition	600,036	646,626	(46,590)
Extracurricular activities	554,840	757,529	(202,689)
General administration	727,780	717,717	10,063
Plant maintenance, security & data processing	1,924,396	1,884,301	40,095
Community services	-	3,966	(3,966)
Debt Services	334,415	267,602	66,813
Payments to Juvenile Justice Alternative Program	-	-	-
Total Expenses	<u>13,487,893</u>	<u>12,649,474</u>	<u>838,419</u>
Increase in net position before transfers and special items	2,262,279	231,000	2,031,279
Special Item	(62,730)	1,199,532	(1,262,262)
Net Position at 9/1/19	3,373,642	1,943,109	1,430,533
Net Position at 8/31/20	<u>\$ 5,573,191</u>	<u>\$ 3,373,642</u>	<u>\$ 2,199,549</u>

The District's total revenues increased by \$2,869,698 and the District's expenditures increased by \$838,417 over the prior year. Adjustments relating to OPEB expense resulted in a change to several functions.

The District property tax rate decreased to \$1.446 from the previous year, while the District's tax revenues increased by approximately \$2,343,082 in 2020.

The cost of all governmental activities for the year was \$13,487,893, as opposed to \$12,649,476, in the previous year. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$6,286,640 because some of the costs were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet) reported a combined fund surplus of \$4,871,185 as opposed to a fund balance of \$3,748,626 from the previous year.

The capital expenditures reduce available fund balances, but they also create new assets for the District as reported in the Statement of Financial Position and as discussed in the Footnotes to the financial statements.

Over the course of the year, the Board of Trustees revised the District's budget. These budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances. The second category includes changes that the Board made during the last month of the fiscal year. There were no major amendments to the original budgets.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the District had approximately \$27 million invested in a broad range of capital assets, including land, buildings, furniture & equipment, and capital leases. This year's major additions included:

	2020	2019
Land	\$ 357,964	\$ 331,651
Buildings and Improvements	22,695,846	22,097,448
Furniture and Equipment	3,617,374	3,494,985
Capital Leases	389,482	389,482
Construction in Progress	49,999	319,676
Totals at Historical Cost	<u>27,110,665</u>	<u>26,313,566</u>
Accumulated Depreciation	<u>(15,306,316)</u>	<u>(14,834,757)</u>
Total Capital Assets (Net)	<u>\$ 11,804,349</u>	<u>\$ 11,478,809</u>

More detailed information about the District's capital assets is presented in Note F (page 30) to the financial statements.

Debt

At year-end, the District had \$6.7M in bonds and other long-term debt outstanding

More detailed information about the District's long-term liabilities is presented in Note G (page 31) of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2021 budget, tax rates. One of those factors is the economy. The District is located in a "low-income" area, as evidenced by the number of students on "Free and Reduced-Price" meals (approximately 73.80 percent). The district started on CEP Program in 2019-2020, which allows all students (no matter income) to receive free breakfast and lunch.

The District's Board of Trustees set the 2020-2021 tax rate at \$1.43280. The District's appraised/assessed property value was \$598,532,373 for 2021, which was an increase compared to the previous year. The District's property tax revenue is projected to experience a moderate increase.

These indicators were taken into account when adopting the General Fund budget for 2021. Amounts available for appropriation in the General Fund budget are \$11,132,013. The District will use its revenues to finance programs we currently offer. The District has added no major new programs or initiatives to the 2021 budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Banquete Independent School District, Banquete, Texas.

BASIC FINANCIAL STATEMENTS

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

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 971,280
1120 Current Investments	5,500,278
1220 Property Taxes - Delinquent	1,066,713
1230 Allowance for Uncollectible Taxes	(213,342)
1240 Due from Other Governments	1,093,761
1267 Due from Fiduciary Funds	51,442
1410 Prepayments	67,116
Capital Assets:	
1510 Land	357,964
1520 Buildings, Net	11,025,908
1530 Furniture and Equipment, Net	230,174
1550 Leased Property Under Capital Leases, Net	140,304
1580 Construction in Progress	49,999
1000 Total Assets	20,341,597
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	847,365
1705 Deferred Outflow Related to TRS Pension	1,113,102
1706 Deferred Outflow Related to TRS OPEB	1,055,655
1700 Total Deferred Outflows of Resources	3,016,122
LIABILITIES	
2140 Interest Payable	13,209
2160 Accrued Wages Payable	432,402
2177 Due to Fiduciary Funds	143,588
2180 Due to Other Governments	2,234,725
2300 Unearned Revenue	1,977
Noncurrent Liabilities:	
2501 Due Within One Year	1,157,695
2502 Due in More Than One Year	5,589,210
2540 Net Pension Liability (District's Share)	2,038,634
2545 Net OPEB Liability (District's Share)	4,036,778
2000 Total Liabilities	15,648,218
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	389,939
2606 Deferred Inflow Related to TRS OPEB	1,746,371
2600 Total Deferred Inflows of Resources	2,136,310
NET POSITION	
3200 Net Investment in Capital Assets	5,057,444
3820 Restricted for Federal and State Programs	238,925
3850 Restricted for Debt Service	655,723
3900 Unrestricted	(378,901)
3000 Total Net Position	\$ 5,573,191

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

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

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
		Charges for Services	Operating Grants and Contributions	
	Expenses			6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 7,504,838	\$ 70,281	\$ 356,917	\$ (7,077,640)
12 Instructional Resources and Media Services	98,501	-	-	(98,501)
13 Curriculum and Instructional Staff Development	155,862	-	2,275	(153,587)
23 School Leadership	664,209	-	-	(664,209)
31 Guidance, Counseling, and Evaluation Services	412,489	-	-	(412,489)
33 Health Services	82,124	-	-	(82,124)
34 Student (Pupil) Transportation	428,403	-	-	(428,403)
35 Food Services	600,036	75,281	521,846	(2,909)
36 Extracurricular Activities	554,840	29,527	-	(525,313)
41 General Administration	727,780	-	-	(727,780)
51 Facilities Maintenance and Operations	1,674,961	12,693	-	(1,662,268)
53 Data Processing Services	249,435	-	-	(249,435)
72 Debt Service - Interest on Long-Term Debt	312,074	-	-	(312,074)
73 Debt Service - Bond Issuance Cost and Fees	22,340	-	-	(22,340)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 13,487,892	\$ 187,782	\$ 881,038	(12,419,072)

Data
Control
Codes

General Revenues:

Taxes:

MT	Property Taxes, Levied for General Purposes	6,286,640
DT	Property Taxes, Levied for Debt Service	2,208,604
GC	Grants and Contributions not Restricted	6,048,484
IE	Investment Earnings	68,230
MI	Miscellaneous Local and Intermediate Revenue	69,393
S2	Special Item - (Use)	(62,730)
TR	Total General Revenues & Special Items	14,618,621
CN	Change in Net Position	2,199,549
NB	Net Position - Beginning	3,373,642
NE	Net Position - Ending	\$ 5,573,191

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

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

Data Control Codes	10 General Fund	Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 771,033	\$ 6,840	\$ 193,407	\$ 971,280
1120 Investments - Current	4,970,435	525,856	3,987	5,500,278
1220 Property Taxes - Delinquent	733,136	333,577	-	1,066,713
1230 Allowance for Uncollectible Taxes	(146,627)	(66,715)	-	(213,342)
1240 Due from Other Governments	414,540	-	679,221	1,093,761
1260 Due from Other Funds	577,759	123,027	98,865	799,651
1410 Prepayments	66,452	-	664	67,116
1000 Total Assets	<u>\$ 7,386,728</u>	<u>\$ 922,585</u>	<u>\$ 976,144</u>	<u>\$ 9,285,457</u>
LIABILITIES				
2160 Accrued Wages Payable	\$ 421,053	\$ -	\$ 11,349	\$ 432,402
2170 Due to Other Funds	275,988	-	615,809	891,797
2180 Due to Other Governments	2,126,641	-	108,084	2,234,725
2300 Unearned Revenue	-	-	1,977	1,977
2000 Total Liabilities	<u>2,823,682</u>	<u>-</u>	<u>737,219</u>	<u>3,560,901</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	586,509	266,862	-	853,371
2600 Total Deferred Inflows of Resources	<u>586,509</u>	<u>266,862</u>	<u>-</u>	<u>853,371</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	238,925	238,925
3480 Retirement of Long-Term Debt	-	655,723	-	655,723
3600 Unassigned Fund Balance	3,976,537	-	-	3,976,537
3000 Total Fund Balances	<u>3,976,537</u>	<u>655,723</u>	<u>238,925</u>	<u>4,871,185</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 7,386,728</u>	<u>\$ 922,585</u>	<u>\$ 976,144</u>	<u>\$ 9,285,457</u>

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

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

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 4,871,185
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	-
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$26,633,242 and the accumulated depreciation was (\$14,834,757). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.	4,433,680
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2020 capital outlays and debt principal payments is to decrease net position.	1,929,479
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. At the beginning of the year, the net position related to TRS was a Deferred Resource Outflow in the amount of \$1,113,102, a Deferred Resource Inflow in the amount of \$389,939 and a net pension liability in the amount of \$2,038,634.	(1,315,471)
5 The District participates in the TRS-Care plan for retirees through TRS. The District's share of the TRS plan resulted in a net OPEB liability of \$4,036,778, a deferred outflow of \$1,055,655 and a deferred inflow of \$1,746,371.	(4,727,494)
6 The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(471,559)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	853,371
19 Net Position of Governmental Activities	\$ 5,573,191

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

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

Data Control Codes	10 General Fund	Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 6,552,420	\$ 2,250,833	\$ 75,326	\$ 8,878,579
5800 State Program Revenues	5,557,266	24,107	302,483	5,883,856
5900 Federal Program Revenues	145,863	-	803,124	948,987
5020 Total Revenues	12,255,549	2,274,940	1,180,933	15,711,422
EXPENDITURES:				
Current:				
0011 Instruction	6,213,926	-	534,038	6,747,964
0012 Instructional Resources and Media Services	91,522	-	-	91,522
0013 Curriculum and Instructional Staff Development	157,985	-	2,275	160,260
0023 School Leadership	701,748	-	-	701,748
0031 Guidance, Counseling, and Evaluation Services	436,518	-	-	436,518
0033 Health Services	69,057	-	-	69,057
0034 Student (Pupil) Transportation	504,832	-	-	504,832
0035 Food Services	21,835	-	521,845	543,680
0036 Extracurricular Activities	569,362	-	-	569,362
0041 General Administration	743,172	-	-	743,172
0051 Facilities Maintenance and Operations	1,926,722	-	-	1,926,722
0053 Data Processing Services	244,825	-	-	244,825
Debt Service:				
0071 Principal on Long-Term Debt	203,171	1,809,625	-	2,012,796
0072 Interest on Long-Term Debt	20,358	297,976	-	318,334
0073 Bond Issuance Cost and Fees	-	22,340	-	22,340
6030 Total Expenditures	11,905,033	2,129,941	1,058,158	15,093,132
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	350,516	144,999	122,775	618,290
OTHER FINANCING SOURCES (USES):				
7914 Non-Current Loans	567,000	-	-	567,000
SPECIAL ITEMS:				
8912 Special Item - (Use)	(62,730)	-	-	(62,730)
1200 Net Change in Fund Balances	854,786	144,999	122,775	1,122,560
0100 Fund Balance - September 1 (Beginning)	3,121,751	510,724	116,150	3,748,625
3000 Fund Balance - August 31 (Ending)	\$ 3,976,537	\$ 655,723	\$ 238,925	\$ 4,871,185

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

BANQUETE INDEPENDENT SCHOOL DISTRICT EXHIBIT C-4
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

Total Net Change in Fund Balances - Governmental Funds	\$	1,122,560
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The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.		-
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Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2019 capital outlays and debt principal payments is to decrease net position.		1,929,479
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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.		(471,559)
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Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to 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, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		24,051
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Current year changes due to GASB 68 increased revenues in the amount of \$163,439 but also increased expenditures in the amount of \$139,876. The net effect on the change in the ending net position was a decrease in the amount of \$324,641.		(301,078)
--	--	-----------

Current year changes due to GASB 75 increased revenues in the amount of \$76,252 but also increased expenditures in the amount of \$56,743. The net effect on the change in the ending net position was a decrease in the amount of \$123,413.		(103,904)
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Change in Net Position of Governmental Activities	\$	2,199,549
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BANQUETE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2020

	Governmental Activities -
	Internal Service Fund
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 30,748
Investments - Current	<u>28,754</u>
Total Assets	<u>59,502</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	<u>20,337</u>
Total Liabilities	<u>20,337</u>
NET POSITION	
Unrestricted Net Position	<u>39,165</u>
Total Net Position	<u><u>\$ 39,165</u></u>

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

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

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 327
Total Operating Revenues	327
Operating Income	327
Total Net Position - September 1 (Beginning)	38,838
Total Net Position - August 31 (Ending)	\$ 39,165

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

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

	Governmental Activities -
	Internal Service Fund
Net Decrease in Cash and Cash Equivalents	(22,497)
Cash and Cash Equivalents at Beginning of Year	81,999
Cash and Cash Equivalents at End of Year	\$ 59,502
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income:	\$ 327
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	(22,824)
Net Cash Used for Operating Activities	\$ (22,497)

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

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

	Custodial Fund
ASSETS	
Cash and Cash Equivalents	\$ 352,779
Due from Other Funds	143,588
Total Assets	<u>496,367</u>
LIABILITIES	
Payroll Deductions and Withholdings Payable	444,925
Due to Other Funds	51,442
Total Liabilities	<u>496,367</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Banquete Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of 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 Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity. There are no component units included within the reporting entity.

Pensions. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net position liability, deferred outflows 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.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all the Banquete Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds, and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Assets as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column.

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements use 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 on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims, and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

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

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 deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Debt Service Funds** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Additionally, the District reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Capital Projects Funds** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.
3. **Permanent Funds** – The District accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no Permanent Funds.

Proprietary Funds:

4. **Enterprise Funds** – The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District's has no Enterprise Funds.
5. **Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Fund is the "Worker's Compensation Self Insurance Fund".

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

D. FUND ACCOUNTING (continued)

Fiduciary Funds:

- 6. Private Purpose Trust Funds** – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District has no Private Purpose Trust Fund.
- 7. Pension (and Other Employee Benefit) Trust Funds** – These funds are used to account for local pension and other employee benefit funds that are provided by the District in lieu of or in addition to the Teacher Retirement System of Texas. The District has no Pension Trust Funds.
- 8. Investment Trust Fund** - This fund is one in which the District holds assets in trust for other entities participating in an investment program managed by the district. The District has no Investment Trust Funds.
- 9. Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the "Student Activity Funds".

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

E. OTHER ACCOUNTING POLICIES (continued)

4. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
5. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building	20
Improvements	
Infrastructure	50
Vehicles	5
Office Equipment	5
Computer Equipment	5

6. Beginning in fiscal year 1993, the District established a Worker's Compensation Self-Insurance Plan for District employees. The plan covers all employees of the District. Individual claims exceeding \$150,000 and aggregate claims exceeding \$1,000,000 per year are covered by a private insurance carrier. The District established an Internal Service Fund to account for this plan.
7. Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

E. OTHER ACCOUNTING POLICIES (continued)

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District’s governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints of their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund’s primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is 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.

8. The Data Control Codes refer to the account code structure prescribed by TEA in the ***Financial Accountability System Resource Guide***. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a Statewide data base for policy development and funding plans.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Enterprise Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit J-4 and the other report is Exhibit J-5.

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of budgetary control, several amendments were necessary during the year.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

August 31, 2020	
<u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 669,514
Nonappropriated Budget Funds	<u>303,546</u>
All Special Revenue Funds	<u><u>\$ 973,060</u></u>

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District had excess of expenditures over appropriations:
N/A

C. DEFICIT FUND EQUITY

There had one Fund Equity Deficit in State Instructional Materials (Fund 410) in the amount of \$(269,795).

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

At August 31, 2020, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,324,059 and the bank balance was \$1,842,273. The District's cash deposits at August 31, 2020 and during the year ended August 31, 2020 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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

- a. Depository: Plains Capital Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$5,453,038.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$2,044,998 and occurred during the month of May, 2020.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$250,000.

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, 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.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practice, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's temporary investments at August 31, 2020, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
TEXPOOL-MMA	\$ 1,464	\$ 1,464
LONESTAR INV. POOL	1,058	1,058
TEXAS TERM	5,526,509	5,526,509
	<u>\$ 5,529,031</u>	<u>\$ 5,529,031</u>

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

1. Analysis of Specific Deposit and Investment Risks

GASB Statement no. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. 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 year end the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institutions, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This is the risk that in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

Public Funds Investment Pools

Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 79 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 AAA-m 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 investments in Pools are 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 (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal 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 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

D. INTERFUND RECEIVABLES AND PAYABLES

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

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund:		
Special Revenue Fund	\$ 625,182	\$ -
Debt Service Fund	-	123,027
Capital Projects Fund	-	-
Trust & Agency	51,442	143,588
Total General Fund	<u>676,624</u>	<u>266,615</u>
Special Revenue Fund:		
General Fund	-	625,182
Total Special Revenue Fund	<u>-</u>	<u>625,182</u>
Agency Fund		
General Fund	<u>143,588</u>	<u>51,442</u>
	143,588	51,442
Debt Service Fund		
General Fund	<u>123,027</u>	<u>-</u>
TOTAL	<u>\$ 943,239</u>	<u>\$ 943,239</u>

E. FUND BALANCES

The District has nonspendable, restricted, committed and unassigned fund balance as follows.

Description	<u>Amount</u>
Nonspendable Fund Balances:	
Inventories	<u>\$ -</u>
Restricted Fund Balances:	
Federal/State Funds Grant Restrictions	238,925
Retirement of Long Term Debt	<u>655,723</u>
	894,648
Unassigned:	
General Fund	<u>3,976,537</u>
Total Fund Balance	<u><u>\$ 4,871,185</u></u>

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

F. CAPITAL ASSET ACTIVITY

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

	Primary Government		
	Beginning Balance	Additions	Ending Balance
Governmental Activities:			
Land	\$ 331,651	\$ 26,313	\$ 357,964
Buildings and Improvements	22,097,448	598,398	22,695,846
Furniture and Equipment	3,494,985	122,389	3,617,374
Capital Leases	389,482	-	389,482
Construction in Progress	319,676	49,999	49,999
Totals at Historic Cost	26,633,242	797,099	27,110,665
Less Accumulated Depreciation for:			
Buildings and Improvements	(11,277,979)	(391,959)	(11,669,938)
Furniture and Equipment	(3,346,212)	(52,385)	(3,398,597)
Capital Leases	(210,566)	(27,215)	(237,781)
Total Accumulated Depreciation	(14,834,757)	(471,559)	(15,306,316)
Governmental Activities Capital Assets, Net	\$ 11,798,485	\$ 325,540	\$ 11,804,349

Depreciation expense was charged to governmental function as follows:

Instruction	\$ 240,550
Instructional Resources and Media Services	4,464
Curriculum Dev. And Instructional Staff Dev.	8,927
School Leadership	17,855
Guidance, Counseling and Evaluation Services	8,927
Health Services	4,463
Student (Pupil) Transportation	22,986
Food Services	26,781
Cocurricular/Extracurricular Activities	19,257
General Administration	26,692
Plant Maintenance and Operations	90,657
Total Depreciation Expense	\$ 471,559

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

G. BONDS PAYABLE

Bonded indebtedness of the District is reflected in the General Long-Term debt Account Group, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in general long-term debt for the year ended August 31, 2020, is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Beginning Balance	Increase	Decreases	Ending Balance	Amounts Due Within One Year
U/L Tax Refunding Bonds, Series 2012	3.0%	\$ 6,390,000	\$ 199,501	\$ 4,104,625	\$ -	\$ 1,524,625	\$ 2,580,000	\$ 650,000
U/L Tax Refunding Bonds, Series 2015	2-4%	3,245,000	98,475	2,640,000	-	285,000	2,355,000	300,000
Maintenance Tax Notes, Series 2017	2.95%	288,260	6,942	234,130	-	55,971	178,159	57,658
Time Warrants, Series 2019	2.20%	567,000	10,568	-	567,000	110,000	457,000	111,000
Premium / discount			-	1,151,146	-	13,746	1,137,400	13,746
Capital Lease			645	18,630	-	18,630	-	-
Capital Lease			2,202	57,915	-	18,570	39,345	19,294
Total governmental activities			\$ 318,333	\$ 8,206,446	\$ 567,000	\$ 2,026,542	\$ 6,746,904	\$ 1,151,698

The District issued time warrants-Series 2019 in the amount of \$567,000, interest rate 2.2%, payable annually \$110,000-\$118,000 with maturity date August 31, 2024.

Debt service requirements are as follows:

Year Ended August 31	Principal	Interest	Total Requirements
2021	\$ 1,137,952	\$ 214,234	\$ 1,352,186
2022	1,177,410	173,931	1,351,341
2023	1,196,142	127,100	1,323,242
2024	1,008,000	89,150	1,097,150
2025	345,000	49,825	394,825
Thereafter	745,000	30,100	775,100
Total	<u>\$ 5,609,504</u>	<u>\$ 684,340</u>	<u>\$ 6,293,844</u>

Advance Refunding of Debt

On April 13, 2012, the District issued Series 2012 bonds totaling \$6,390,000 with interest rates ranging from 3.00% to 3.50% to advance refund \$6,390,000 of Series 2005 Bonds with an interest rate 5.00%. The net proceeds were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, \$6,390,000 of Series 2005 bonds are considered to be defeased and the liability for those bonds is now \$1,023,057. On April 5, 2012, the District issued Series 2012A bonds totaling \$590,000 with interest rates ranging from 1.87% to 2.37% to pay off a short term note payable of \$547,000 with an interest rate of 1.790%. As a result, the \$547,000 short term note payable is considered to be defeased and the liability for that payable was removed from the debt. The refunding resulted in a reduction of total debt service payments over 13 years by \$241,925 to obtain an economic gain of \$233,884.

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

G. BONDS PAYABLE (continued)

Advance Refunding of Debt

On June 15, 2015, the District issued Series 2015 bonds totaling \$3,245,000 with interest rates ranging from 2.00% to 4.00% to advance refund \$3,245,000 of Series 2007 Bonds with an interest rate 5.00%. The net proceeds were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, \$3,245,000 of Series 2007 bonds are considered to be defeased and the liability for those bonds is now \$495,000. The refunding resulted in a reduction of total debt service payments over 12 years by \$229,783 to obtain an economic gain of \$205,080.

H. COMMITMENTS UNDER OPERATING LEASE

The District leases several copy machines under an operating lease which requires monthly lease payments to IOS Capital beginning 9-18-19. Rental Expenditures totaled \$82,607 in 2020. This was the last year of these contracts.

I. HEALTH CARE COVERAGE

During the year ended August 31, 2020 employees of the Banquete Independent School District were covered by a health insurance plan (the plan). The District contributed \$225 per month per employee to the plan and employees, at their option, authorized payroll withholding to pay contributions or premiums for dependents. All premiums were paid to a licensed insurer. The plan was authorized by Section 21.922. Texas Education code, and was documented by contractual agreement.

The Texas School Employees Uniform Group Health Coverage Act, which was enacted by the 77th Texas Legislature, established a statewide health insurance program for public education employees effective September 1, 2006. The Banquete ISD has elected to participate in the statewide TRS Active-Care Program.

J. DEFINED BENEFIT PENSION PLAN

A. Plan Description

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

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

B. 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.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

J. DEFINED BENEFIT PENSION PLAN (continued)

C. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

In May, 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for the 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

D. Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 12 of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2020 thru 2025.

Contribution Rates		
	2019	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%
Banquete ISD 2020 Employer Contributions		\$ 163,439
Banquete ISD 2020 Member Contributions		\$ 546,711
Banquete ISD 2019 NECE On-Behalf Contributions		\$ 368,693

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

J. 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 is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

In addition to the employer contributions listed above, there 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 or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

J. DEFINED BENEFIT PENSION PLAN (continued)

E. Actuarial Assumptions

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

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	7.250%
Long-term expected Investment Rate of Return*	7.25% 2.63%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include onlu federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Municipal Bond Rate as of August 2019	
Inflation	2.3%
Salary Increases including inflation	3.05% to 9.05%
Payroll Growth Rate	Not provided in TRS 2019 CAFR
Benefit Changes during the year	Not provided in TRS 2019 CAFR
Ad hoc post-employment benefit changes	None

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

F. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25. The projection of cash flows used to determine the discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 7.25%. The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

J. DEFINED BENEFIT PENSION PLAN (continued)

Asset Class	Target Allocation ¹	Long-term Expected Arithmetic Real Rate of Return ²	Expected Contribution to Long-Term Portfolio Returns ³
Global Equity			
U.S.	18%	18.0%	6.4%
Non-U.S. Developed	13%	13.0%	6.3%
Emerging Markets	9%	9.0%	7.3%
Directional Hedge Funds	4%	0.0%	0.0%
Private Equity	13%	14.0%	8.4%
Stable Value			
U.S. Treasuries ⁴	11%	16.0%	3.1%
Absolute Return	0%	0.0%	0.0%
Stable Value Hedge Funds	4%	5.0%	4.5%
Real Return			
Global Inflation Linked Bonds ⁴	3%	0.0%	0.0%
Real Assets	14%	15.0%	8.5%
Energy and Natural Resources	5%	6.0%	7.3%
Commodities	0%	0.0%	0.0%
Risk Parity			
Risk Parity	5%	8.0%	5.8%/6.5% ⁵
Leverage			
Cash	1%	2.0%	2.5%
Asset Allocation Leverage	0%	-6.0%	2.7%
Total	100%	100.0%	7.23%

¹ Target allocations are based on Strategic Asset Allocations as of FY2019.

² New allocations are based on the Strategic Asset Allocations to be implemented FY2020.

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

⁴ New Target Allocation groups Government Bonds within the stable value allocation. This includes sovereign nominal and inflation-linked bonds.

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

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

J. DEFINED BENEFIT PENSION PLAN (continued)

G. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Banquete ISD's proportionate share of the net pension liability:	\$ 3,133,676	\$ 2,038,634	\$ 1,151,438

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

At August 31, 2020, the District reported a liability of \$2,038,634 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	\$2,038,634
State's proportionate share that is associated with the District	<u>5,475,986</u>
Total	<u><u>\$7,514,620</u></u>

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

At August 31, 2019 the employer's proportion of the collective net pension liability was .0039217221%, which was an increase (decrease) of)0.0001810199%) from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation – The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has been changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

J. DEFINED BENEFIT PENSION PLAN (continued)

For the year ended August 31, 2020, the District recognized pension expense of \$1,324,717 and revenue of \$860,200 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 8,564	\$ 70,785
Changes in actuarial assumptions	632,484	261,372
Difference between projected and actual investment earnings	20,470	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	288,145	57,782
Total as of August 31, 2018 measurement date	949,663	389,939
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	163,439	-
Total	\$1,113,102	\$ 389,939

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

Year ended August 31:	Pension Expense Amount
2021	\$ 161,366
2022	135,885
2023	136,466
2024	113,180
2025	35,506
Thereafter	(22,679)

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	\$ 2,258,249	\$ (82,350)	\$ 137,265	\$ 2,038,634

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description. The Banquete 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 Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position. Detail 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.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

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

The premium rates for retirees are reflected in the following table.

TRS-Care Monthly for Retirees			
	Medicare		Non-Medicare
Retiree or Surviving Spouse	\$	135	\$ 200
Retiree and Spouse		529	689
Retiree or Surviving Spouse and Children		468	408
Retiree and Family		1,020	999

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

Contribution Rates		
	2019	2020
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%
Banquete ISD 2020 Employer Contributions		\$ 76,252
Banquete ISD 2020 Member Contributions		\$ 46,151
Banquete ISD 2019 NECE On-Behalf Contributions		\$ 80,495

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

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

Actuarial Assumptions. The total OPEB liability in the August 31, 2018 was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions: The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

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

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

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.63%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	Not provided in TRS 2019 CAFR
Projected Salary Increases	3.05% - 9.05%, including inflation
Healthcare Trend Rates	Not provided in TRS 2019 CAFR
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65, 25% of pre-65 retirees are assumed to discontinue at age 65
Ad hoc post-employment benefit changes	None

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

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

Discount Rate. A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contribution entity are made at the statutory 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 benefits payments to determine the total OPEB liability.

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% or less than and 1% greater than the discount rate that was used in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.63%)	Current Single Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
Banquete's proportionate share of the Net OPEB liability:	\$ 4,873,690	\$ 4,036,778	\$ 3,382,066

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 one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Banquete's proportionate share of the Net OPEB liability:	\$ 3,293,064	\$ 4,036,778	\$ 5,033,020

OPEB Liabilities, OPEB Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to OPEBs.

At August 31, 2020, the District reported a liability of \$4,036,7781 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	\$ 4,036,778
State's proportionate share that is associated with the District	5,363,979
Total	<u>\$ 9,400,757</u>

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

At August 31, 2019 the employer's proportion of the collective Net OPEB Liability was 0.0085360040%, which was an increase (decrease) of 0.0004466471% from its proportion measured as of August 31, 2018.

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability (TOL) since the prior measurement period:

- The discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 70 percent to 50 percent. 25 percent of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.
- Change of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2020, the District recognized OPEB expense of \$321,528 and revenue of \$141,372 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 198,038	\$ 660,576
Changes in actuarial assumptions	224,212	1,085,795
Difference between projected and actual investment earnings	436	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	556,717	-
Total as of August 31, 2018	979,403	1,746,371
Contributions paid to TRS subsequent to the measurement date	76,252	-
Total	\$1,055,655	\$1,746,371

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

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

Year ended August 31:	Pension Expense Amount
2021	\$ (147,989)
2022	(147,989)
2023	(148,130)
2024	(148,211)
2025	(148,189)
Thereafter	(26,460)

	Beginning Balance	Additions	Retirements	Ending Balance
Net OPEB Liability	\$ 4,039,090	\$ 58,270	\$ 60,582	\$ 4,036,778

Medicare on Behalf Payments. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2020, 2019, and 2018, the subsidy payments received by TRS-Care on behalf of the District were \$33,853, \$24,650, and \$19,084, respectively.

L. UNEMPLOYMENT COMPENSATION POOL

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

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

The Fund engages the services of Ernst & Young to conduct an independent financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017, are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin.

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

M. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

Upon retirement or death of certain employees, the District pays only the state approved sick leave and vacation leave in a lump cash payment to such employee or his/her estate. The District does not recognize an accumulated sick leave or vacation leave liability.

N. DEFERRED COMPENSATION PLAN

Employees of the Banquete Independent School District may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans With Respect To Service For State and Local Governments).

The deferred compensation plan is available to all employees of the District. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

The deferred compensation plan has been administered by an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the District subject only to the claims of the District's general creditors. In addition, the participants in the plan have rights equal to those of the general creditors of the District, and each participant's rights are equal to his or her share of the fair market value of the plan assets. The District believes that it is unlikely that plan assets will be needed to satisfy claims of general creditors that might arise.

O. DEFERRED REVENUES

Bulletin 679 provides that Texas school districts record net tax levies initially as deferred revenue and convert those deferrals to realized revenue when the taxes are collected. A district may convert all delinquent tax collections expected to be made in the first sixty days of the next fiscal year from deferred revenue to realized revenue of the current year. Banquete Independent School District had the following deferred revenues at August 31, 2020:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Net Unrealized Property Taxes	\$ 733,136	\$ 333,577	\$ 1,066,713
Less amounts expected to be collected within 60 days of year end	<u>(146,627)</u>	<u>(66,715)</u>	<u>(213,342)</u>
Total Deferred Revenues	<u>\$ 586,509</u>	<u>\$ 266,862</u>	<u>\$ 853,371</u>

P. LITIGATION

The District is currently involved in various legal proceedings arising from its operations. The District believes that the outcome of these proceedings, individually and in the aggregate, will have no material effect on the District's financial position.

Q. OTHER SIGNIFICANT COMMITMENTS OR CONTINGENCIES

The District did not have any commitments and contingencies which needed to be reflected or noted in the financial statements.

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

R. 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 federal and state governments as of August 31, 2020, are reported on the combined financial statements as Due From Other Governments and are summarized below:

Fund	State Entitlements	Federal Grants	Total
General	\$ 414,540	\$ -	\$ 414,540
Special Revenue	429,493	249,728	679,221
Enterprise Fund	-	-	-
Total	<u>\$ 844,033</u>	<u>\$ 249,728</u>	<u>\$ 1,093,761</u>

S. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Property Taxes	\$ 6,262,588	\$ -	\$ 2,208,605	\$ -	\$ 8,471,193
Penalties, Interest and Other	99,080	-	33,908	-	132,988
Tax-related Income					
Investment Income	59,910	372	8,321	-	68,603
Food Sales	-	75,281	-	-	75,281
Co-curricular Student Activities	29,527	-	-	-	29,527
Other	94,661	-	-	-	94,661
Total	<u>\$ 6,545,766</u>	<u>\$ 75,653</u>	<u>\$ 2,250,834</u>	<u>\$ -</u>	<u>\$ 8,872,253</u>

T. RISK MANAGEMENT

The District is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District's program for managing risks includes:

- 1) participation in a public entity risk pool (TASB) to cover liability claims such as workers compensation, life, medical and general liability claims;
- 2) purchasing commercial property insurance for protection from theft and damages due to windstorms, hurricanes, hail storms, floods, accidents and District's liability;
- 3) providing employees with various safety programs. Except for deductibles of up to \$10,000 on property damage and \$100,000 on windstorm damage, the District has transferred risk of loss to the public entity risk pool and commercial insurers. There have been no significant reductions in insurance coverage from coverage in the prior year. Except for deductibles paid, settlement amount have not exceeded insurance coverage for the current year or the three prior fiscal years. In the event of a loss for uninsurable assets (underground pipelines and similar facilities) the District policy has been to maintain substantial reserves within fund balances.

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2020

U. RELATED ORGANIZATIONS

None.

V. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

W. EVALUATION OF SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 21, 2020, the date which the financial statements were available to be issued.

X. MAINTENANCE OF EFFORT

For fully insured districts/entities/risk pools, enter the total amount paid by the district for employee health care premiums as reported to TEA per Note L.

a) Total District Premium paid for health care 2019-2020	<u>\$ 797,029</u>
b) Subtract any non-medical expenditures	
Life Insurance	\$ -
Long-Term Disability	-
c) 2019-2020 Maintenance of Effort	<u><u>\$ 797,029</u></u>

Y. GASB 63

GASB 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources are the consumption of net assets by the government that is applicable to a future reporting period and deferred inflows of resources are the acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are incorporated into the definitions of the required components of the residual measure and that measure is renamed as net position, rather than net assets.

Z. SPECIAL ITEM

The Special Item in the financial statements was for the (\$62,730) in architectural expenditures related to litigation settlement that was received for faulty construction work done to the elementary school.

REQUIRED SUPPLEMENTARY INFORMATION

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 6,445,331	\$ 6,445,331	\$ 6,552,420	\$ 107,089
5800 State Program Revenues	5,079,521	5,136,466	5,557,266	420,800
5900 Federal Program Revenues	-	-	145,863	145,863
5020 Total Revenues	11,524,852	11,581,797	12,255,549	673,752
EXPENDITURES:				
Current:				
0011 Instruction	6,291,894	6,381,304	6,213,926	167,378
0012 Instructional Resources and Media Services	110,779	111,618	91,522	20,096
0013 Curriculum and Instructional Staff Development	154,766	157,985	157,985	-
0023 School Leadership	706,168	708,065	701,748	6,317
0031 Guidance, Counseling, and Evaluation Services	416,110	436,518	436,518	-
0033 Health Services	83,915	69,057	69,057	-
0034 Student (Pupil) Transportation	322,113	504,832	504,832	-
0035 Food Services	-	21,835	21,835	-
0036 Extracurricular Activities	622,564	597,384	569,362	28,022
0041 General Administration	682,468	743,172	743,172	-
0051 Facilities Maintenance and Operations	1,356,319	1,926,722	1,926,722	-
0053 Data Processing Services	249,500	251,369	244,825	6,544
0061 Community Services	3,600	3,847	-	3,847
Debt Service:				
0071 Principal on Long-Term Debt	240,570	203,171	203,171	-
0072 Interest on Long-Term Debt	-	20,358	20,358	-
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	-	15,000	-	15,000
6030 Total Expenditures	11,240,766	12,152,237	11,905,033	247,204
1100 Excess (Deficiency) of Revenues Over (Under)	284,086	(570,440)	350,516	920,956
OTHER FINANCING SOURCES (USES):				
7914 Non-Current Loans	-	-	567,000	567,000
SPECIAL ITEMS:				
8912 Special Item - (Use)	-	-	(62,730)	(62,730)
1200 Net Change in Fund Balances	284,086	(570,440)	854,786	1,425,226
0100 Fund Balance - September 1 (Beginning)	3,121,751	3,121,751	3,121,751	-
3000 Fund Balance - August 31 (Ending)	\$ 3,405,837	\$ 2,551,311	\$ 3,976,537	\$ 1,425,226

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

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Pension Liability (Asset)	0.003921722%	0.004102742%	0.00373053%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,038,634	\$ 2,258,249	\$ 1,192,822
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	5,475,986	5,938,822	3,530,359
Total	<u>\$ 7,514,620</u>	<u>\$ 8,197,071</u>	<u>\$ 4,723,181</u>
District's Covered Payroll	\$ 6,368,922	\$ 6,368,922	\$ 6,098,997
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	32.01%	35.46%	19.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.24%	73.74%	82.17%

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

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

<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>	<u>FY 2015</u> <u>Plan Year 2014</u>
0.003710186%	0.0034459%	0.0017238%
\$ 1,402,024	\$ 1,218,080	\$ 460,151
4,101,463	3,777,788	3,340,420
<u>\$ 5,503,487</u>	<u>\$ 4,995,868</u>	<u>\$ 3,800,571</u>
\$ 6,202,071	\$ 5,850,793	\$ 5,476,195
22.61%	20.82%	8.41%
78.00%	78.43%	83.25%

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

	2020	2019	2018
Contractually Required Contribution	\$ 163,439	\$ 139,876	\$ 138,804
Contribution in Relation to the Contractually Required Contribution	(163,439)	(139,876)	(138,804)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 7,100,182	\$ 6,476,485	\$ 6,368,922
Contributions as a Percentage of Covered Payroll	2.30%	2.16%	2.18%

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

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

2017		2016		2015	
\$	174,535	\$	225,375	\$	179,685
	(174,535)		(225,375)		(179,685)
\$	-	\$	-	\$	-
\$	5,783,140	\$	6,202,071	\$	5,850,793
	3.02%		3.63%		3.07%

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

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.008536004%	0.008089357%	0.007444493%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 4,036,778	\$ 4,039,090	\$ 3,237,331
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	5,363,979	5,537,271	4,946,432
Total	<u>\$ 9,400,757</u>	<u>\$ 9,576,361</u>	<u>\$ 8,183,763</u>
District's Covered Payroll	\$ 6,368,922	\$ 6,368,922	\$ 6,098,997
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	63.38%	63.42%	53.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.66%	1.57%	0.91%

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

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

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

	2020	2019	2018
Contractually Required Contribution	\$ 76,252	\$ 56,743	\$ 57,113
Contribution in Relation to the Contractually Required Contribution	(76,252)	(56,743)	(57,113)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 7,100,182	\$ 6,476,485	\$ 6,368,922
Contributions as a Percentage of Covered Payroll	1.07%	0.88%	0.90%

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.

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COMBINING AND OTHER STATEMENTS

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

Data Control Codes		211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	240 National Breakfast and Lunch Program	242 Summer Feeding Program
ASSETS					
1110	Cash and Cash Equivalents	\$ 3,799	\$ (3,223)	\$ 198,504	\$ 4,383
1120	Investments - Current	3,987	-	-	-
1240	Due from Other Governments	127,269	11,098	-	42,606
1260	Due from Other Funds	53,558	19,386	2,766	-
1410	Prepayments	-	-	664	-
1000	Total Assets	<u>\$ 188,613</u>	<u>\$ 27,261</u>	<u>\$ 201,934</u>	<u>\$ 46,989</u>
LIABILITIES					
2160	Accrued Wages Payable	\$ -	\$ -	\$ 11,349	\$ -
2170	Due to Other Funds	126,540	4,775	12,116	16,644
2180	Due to Other Governments	62,073	22,486	-	-
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	<u>188,613</u>	<u>27,261</u>	<u>23,465</u>	<u>16,644</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	178,469	30,345
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>178,469</u>	<u>30,345</u>
4000	Total Liabilities and Fund Balances	<u>\$ 188,613</u>	<u>\$ 27,261</u>	<u>\$ 201,934</u>	<u>\$ 46,989</u>

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	410 State Instructional Materials	Total Nonmajor Governmental Funds
\$ (20,365)	\$ (1,711)	\$ -	\$ -	\$ -	\$ 12,020	\$ 193,407
-	-	-	-	-	-	3,987
20,365	14,642	17,621	16,127	-	429,493	679,221
-	7,258	-	15,886	11	-	98,865
-	-	-	-	-	-	664
<u>\$ -</u>	<u>\$ 20,189</u>	<u>\$ 17,621</u>	<u>\$ 32,013</u>	<u>\$ 11</u>	<u>\$ 441,513</u>	<u>\$ 976,144</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,349
-	12,550	15,644	16,127	-	411,413	615,809
-	7,639	-	15,886	-	-	108,084
-	-	1,977	-	-	-	1,977
<u>-</u>	<u>20,189</u>	<u>17,621</u>	<u>32,013</u>	<u>-</u>	<u>411,413</u>	<u>737,219</u>
-	-	-	-	11	30,100	238,925
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11</u>	<u>30,100</u>	<u>238,925</u>
<u>\$ -</u>	<u>\$ 20,189</u>	<u>\$ 17,621</u>	<u>\$ 32,013</u>	<u>\$ 11</u>	<u>\$ 441,513</u>	<u>\$ 976,144</u>

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

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	240 National Breakfast and Lunch Program	242 Summer Feeding Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 45	\$ -	\$ 75,281	\$ -
5800 State Program Revenues	-	-	2,588	-
5900 Federal Program Revenues	180,150	74,954	451,450	12,261
5020 Total Revenues	180,195	74,954	529,319	12,261
EXPENDITURES:				
Current:				
0011 Instruction	177,920	74,954	-	-
0013 Curriculum and Instructional Staff Development	2,275	-	-	-
0035 Food Services	-	-	509,584	12,261
6030 Total Expenditures	180,195	74,954	509,584	12,261
1200 Net Change in Fund Balance	-	-	19,735	-
0100 Fund Balance - September 1 (Beginning)	-	-	158,734	30,345
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ 178,469	\$ 30,345

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	410 State Instructional Materials	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,326
-	-	-	-	-	299,895	302,483
20,365	29,050	19,249	15,634	11	-	803,124
20,365	29,050	19,249	15,634	11	299,895	1,180,933
20,365	29,050	19,249	15,634	-	196,866	534,038
-	-	-	-	-	-	2,275
-	-	-	-	-	-	521,845
20,365	29,050	19,249	15,634	-	196,866	1,058,158
-	-	-	-	11	103,029	122,775
-	-	-	-	-	(72,929)	116,150
\$ -	\$ -	\$ -	\$ -	\$ 11	\$ 30,100	\$ 238,925

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T.E.A. REQUIRED SCHEDULES

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2011 and prior years	Various	Various	\$ 2,403,224,320
2012	1.040000	0.472200	251,555,066
2013	1.040000	0.472200	248,110,596
2014	1.170000	0.343200	276,105,849
2015	1.170000	0.343200	276,989,092
2016	1.170000	0.343200	315,995,467
2017	1.170000	0.343200	342,197,230
2018	1.170000	0.343200	371,175,352
2019	1.170000	0.299360	398,714,320
2020 (School year under audit)	1.068400	0.378136	605,974,392
1000 TOTALS			

(10) Beginning Balance 9/1/2019	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2020
\$ 267,738	\$ -	\$ 12,782	\$ 4,398	\$ (23,396)	\$ 227,162
36,857	-	2,265	1,028	(895)	32,669
88,956	-	3,014	1,372	(895)	83,675
68,716	-	3,368	988	(524)	63,836
73,032	-	3,189	936	(104)	68,803
63,169	-	4,003	1,174	(104)	57,888
80,291	-	7,867	2,307	(79)	70,038
129,575	-	21,241	6,231	(506)	101,597
228,312	-	60,723	15,537	(6,034)	146,018
-	8,558,342	6,144,274	2,174,634	(24,407)	215,027
<u>\$ 1,036,646</u>	<u>\$ 8,558,342</u>	<u>\$ 6,262,726</u>	<u>\$ 2,208,605</u>	<u>\$ (56,944)</u>	<u>\$ 1,066,713</u>

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 157,850	\$ 157,850	\$ 75,281	\$ (82,569)
5800 State Program Revenues	3,150	3,150	2,588	(562)
5900 Federal Program Revenues	459,000	459,000	451,450	(7,550)
5020 Total Revenues	620,000	620,000	529,319	(90,681)
EXPENDITURES:				
Current:				
0035 Food Services	606,114	669,514	509,584	159,930
6030 Total Expenditures	606,114	669,514	509,584	159,930
1200 Net Change in Fund Balances	13,886	(49,514)	19,735	69,249
0100 Fund Balance - September 1 (Beginning)	158,734	158,734	158,734	-
3000 Fund Balance - August 31 (Ending)	\$ 172,620	\$ 109,220	\$ 178,469	\$ 69,249

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,082,802	\$ 2,158,366	\$ 2,250,833	\$ 92,467
5800 State Program Revenues	-	-	24,107	24,107
5020 Total Revenues	1,082,802	2,158,366	2,274,940	116,574
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	1,038,563	1,809,625	1,809,625	-
0072 Interest on Long-Term Debt	92,250	297,976	297,976	-
0073 Bond Issuance Cost and Fees	-	22,340	22,340	-
6030 Total Expenditures	1,130,813	2,129,941	2,129,941	-
1200 Net Change in Fund Balances	(48,011)	28,425	144,999	116,574
0100 Fund Balance - September 1 (Beginning)	510,724	510,724	510,724	-
3000 Fund Balance - August 31 (Ending)	\$ 462,713	\$ 539,149	\$ 655,723	\$ 116,574

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**REPORTS ON
INTERNAL CONTROLS, COMPLIANCE
AND
FEDERAL AWARDS**

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Raul Hernandez & Company, P.C.

Certified Public Accountants

5402 Holly Rd. Suite 102

Corpus Christi, Texas 78411

Office (361)980-0482 Fax (361)980-1002

**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***

Independent Auditors' Report

Banquete Independent School District
4339 4th Street
Banquete, Texas 78339

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 Banquete Independent School District, as of and for the year ended August 31, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 21, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Banquete Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Raul Hernandez & Company, P.C.

Corpus Christi, Texas

January 21, 2021

Raul Hernandez & Company, P.C.

Certified Public Accountants

5402 Holly Rd. Suite 102

Corpus Christi, Texas 78411

Office (361)980-0482 Fax (361)980-1002

Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

Banquete Independent School District
4339 4th Street
Banquete, Texas 78339

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards by the Uniform Guidance

We have audited the financial statements of Banquete Independent School District as of and for the year ended August 31, 2020, and have issued our report thereon dated January 21, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Raul Hernandez & Company, P.C.
Corpus Christi, TX
January 21, 2021

BANQUETE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements of the auditee	Unmodified
2. Significant deficiencies in internal controls disclosed by the audit of the financial statements	None
a. Significant deficiencies that were material weaknesses	No
3. Noncompliance material to the financial statements of the auditee disclosed by the audit of the financial statements	No
4. Significant deficiencies in internal controls over major programs disclosed by the audit of the financial statements	None
a. Significant deficiencies that were material weaknesses	None
5. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No
6. Type of auditor's report issued on compliance for major programs	Unmodified
7. Findings disclosed by the audit of the financial statements which the auditor is required to report	None
8. Major Programs:	
School Breakfast Program - CFDA 10.553	
National School Lunch Program - CFDA 10.555	
9. The dollar threshold used to distinguish between Type A and Type B programs	\$750,000
10. Auditee qualified as a low-risk auditee	Yes

II. Findings related to the Financial Statements which are required to be reported in accordance with generally accepted government auditing standards. None

A. Questioned Costs: \$0.

III. Findings and questioned costs for state and federal awards. None

A. Questioned Costs: \$0.

BANQUETE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2020

N/A

BANQUETE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2020

N/A

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20-610101178913	\$ 180,195
ESEA, Title I, Part C - Migratory Children	84.011	20-615001178913	74,954
Career and Technical - Basic Grant	84.048	20-420006178950	20,365
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	20-696001178913	19,249
ESEA, Title II, Part A, Teacher Principal Training	84.367A	20-694501178913	29,050
	84.424A	20-680101178913	15,634
Total Passed Through State Department of Education			339,447
TOTAL U.S. DEPARTMENT OF EDUCATION			339,447
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		156,948
*National School Lunch Program - Cash Assistance	10.555		294,502
Total Child Nutrition Cluster			451,450
Total Passed Through the State Department of Agriculture			451,450
TOTAL U.S. DEPARTMENT OF AGRICULTURE			451,450
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 790,897

*Clustered Programs

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

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Banquete Independent School District. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Compliance Supplement, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Sub-recipients:

During the ten months ended August 31, 2020, the District had no sub-recipients.

Federal Loans and Loan Guarantees:

During the ten months ended August 31, 2020, the District had no outstanding federal loans payable or loan guarantees.

Federally Funded Insurance:

During the ten months ended August 31, 2020, the District had no federally funded insurance.

Noncash awards:

During the ten months ended August 31, 2020, the District did not receive noncash-assistance under the National School Lunch Program.

Indirect Cost Rate:

The Uniform Guidance allows an organization to elect a 10% de minimis indirect cost rate. For the ten month period ended August 31, 2020, the District did not elect to use this rate.

Reconciliation from the Schedule of Expenditures of Federal Awards to Exhibit C-3:

Total Federal Awards Expended	\$ 790,897
SHARS	145,863
Food Program	<u>12,227</u>
Exhibit C-3	<u>\$ 948,987</u>

SCHOOLS FIRST QUESTIONNAIRE

BANQUETE INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2020

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	-0-