

**BANQUETE
INDEPENDENT
SCHOOL DISTRICT**



Annual Financial Report
For the fiscal year
ended August 31, 2019

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, 2019

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FOR THE YEAR ENDED AUGUST 31, 2019

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CERTIFICATE OF BOARD

BANQUETE INDEPENDENT SCHOOL DISTRICT
Name of School District

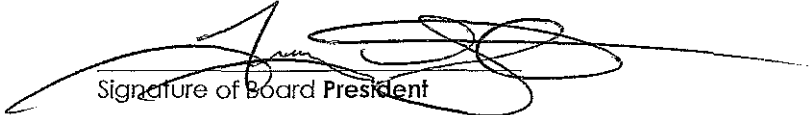
NUECES
County

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, 2019, at a meeting of the Board of Trustees of such school district on the 23rd day of January 2019.



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
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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, 2019, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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 22, 2020, 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 22, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2019. 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 \$3,373,640.

During the year, the District had tax revenues of \$4,897,723 for general purposes and \$1,254,439 for debt service. In addition, the District generated \$5,182,410 in grant and contribution revenues.

The General Fund ended the year with a fund balance of \$3,121,751, which is an increase of \$575,213 from the prior year. The Debt Service ended the year with a fund balance of \$510,725, which represents a \$170,177 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 20 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 \$1,943,109 to \$3,373,640. 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 \$(1,760,962) at August 31, 2019, as opposed to \$(2,253,366) in the prior year.

Table 1
Financial Position

	Governmental Activities		
	2019	2018	Change
ASSETS			
Current and other assets	\$ 5,878,142	\$ 4,601,935	\$ 1,276,207
Capital assets	11,798,485	11,737,345	61,140
Total assets	<u>17,676,627</u>	<u>16,339,280</u>	<u>1,337,347</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge for Refunding	856,506	865,647	(9,141)
Deferred Outflow Related to TRS Pension	1,367,598	592,027	775,571
Deferred Outflow Related to TRS OPEB	592,758	57,618	535,140
Total Deferred Outflows of Resources	<u>2,816,862</u>	<u>1,515,292</u>	<u>1,301,570</u>
LIABILITIES			
Current liabilities	1,315,063	731,054	584,009
Noncurrent liabilities	14,503,786	13,643,804	859,982
Total liabilities	<u>15,818,849</u>	<u>14,374,858</u>	<u>1,443,991</u>
DEFERRED INFLOW OF RESOURCES			
Deferred Inflow Related to TRS Pension	123,742	182,424	(58,682)
Deferred Inflow Related to TRS OPEB	1,277,258	1,354,182	(76,924)
Total Deferred Inflows of Resources	<u>1,401,000</u>	<u>1,536,606</u>	<u>(135,606)</u>
NET POSITION			
Invested in capital assets net of related debt	4,434,798	3,663,855	770,943
Restricted	699,804	532,619	167,185
Unrestricted	(1,760,962)	(2,253,365)	492,403
Total net position	<u>\$ 3,373,640</u>	<u>\$ 1,943,109</u>	<u>\$ 1,430,531</u>

Table II

	Governmental Activities 2019	Governmental Activities 2018	Change
Revenues:			
Program Revenues:			
Charges for Services	\$ 253,821	\$ 376,982	\$ (123,161)
Operating grants and contributions	962,680	688,977	273,703
General Revenues:			
Maintenance and operations taxes	4,897,723	4,118,755	778,968
Debt service taxes	1,254,439	1,192,804	61,635
Grants and Contributions not restricted to specific functions	5,182,410	4,134,923	1,047,487
Investment Earnings	108,717	28,825	79,892
Misc Local and Intermediate Revenue	220,685	90,640	130,045
Total Revenue	<u>12,880,475</u>	<u>10,631,905</u>	<u>2,248,570</u>
Expenses:			
Instruction, curriculum and media services	6,829,100	4,373,685	2,455,415
Instructional and school leadership	692,866	391,334	301,532
Student support services	849,767	628,150	221,617
Child nutrition	646,626	514,562	132,064
Extracurricular activities	757,529	637,744	119,785
General administration	717,717	444,528	273,189
Plant maintenance, security & data processing	1,884,301	1,378,532	505,769
Community services	3,968	-	3,968
Debt Services	267,603	299,250	(31,647)
Payments to Juvenile Justice Alternative Program	-	1,850	(1,850)
Total Expenses	<u>12,649,476</u>	<u>8,669,635</u>	<u>3,979,841</u>
Increase in net position before transfers and special items	230,999	1,962,270	(1,731,271)
Special Item	1,199,532	11,000	1,188,532
Net Position at 9/1/18	1,943,109	5,646,477	(3,703,368)
Prior Period Adjustment	-	(5,676,639)	5,676,639
Net Position at 8/31/19	<u>\$ 3,373,640</u>	<u>\$ 1,943,109</u>	<u>\$ 1,430,531</u>

The District's total revenues increased by \$2,243,570 and the District's expenditures increased by \$3,979,841 over the prior year. Adjustments relating to OPEB expense resulted in a change to several functions.

The District property tax rate decrease to \$1.469 from the previous year, while the District's tax revenues increased by approximately \$804,603 in 2019.

The cost of all governmental activities for the year was \$12,649,476, as opposed to \$8,669,635, 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 \$4,897,723 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 \$3,748,626 as opposed to a fund balance of \$3,079,157 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 2019, 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:

	2019	2018
Land	\$ 331,651	\$ 230,381
Buildings and Improvements	22,097,448	22,097,448
Furniture and Equipment	3,494,985	3,417,146
Capital Leases	389,482	389,482
Construction in Progress	319,676	-
Totals at Historical Cost	<u>26,633,242</u>	<u>26,134,457</u>
Accumulated Depreciation	<u>(14,834,757)</u>	<u>(14,397,115)</u>
Total Capital Assets (Net)	<u>\$ 11,798,485</u>	<u>\$ 11,737,342</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 \$8.2M 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 2020 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 95.22 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 2019-2020 tax rate at \$1.446536. The District's appraised/assessed property value was \$570,790,991 for 2020, 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 2020. Amounts available for appropriation in the General Fund budget are \$11,255,766. The District will use its revenues to finance programs we currently offer. The District has added no major new programs or initiatives to the 2020 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.

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BASIC FINANCIAL STATEMENTS

BANQUETE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2019

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 369,939
1120 Current Investments	3,868,885
1220 Property Taxes - Delinquent	1,036,646
1230 Allowance for Uncollectible Taxes	(207,328)
1240 Due from Other Governments	691,472
1267 Due from Fiduciary Funds	51,406
1410 Prepayments	67,122
Capital Assets:	
1510 Land	331,651
1520 Buildings, Net	10,819,469
1530 Furniture and Equipment, Net	187,385
1550 Leased Property Under Capital Leases, Net	140,304
1580 Construction in Progress	319,676
1000 Total Assets	17,676,627
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	856,506
1705 Deferred Outflow Related to TRS Pension	1,367,598
1706 Deferred Outflow Related to TRS OPEB	692,758
1700 Total Deferred Outflows of Resources	2,916,862
LIABILITIES	
2140 Interest Payable	14,864
2160 Accrued Wages Payable	400,889
2177 Due to Fiduciary Funds	15,214
2180 Due to Other Governments	882,119
2300 Unearned Revenue	1,977
Noncurrent Liabilities:	
2501 Due Within One Year	1,021,959
2502 Due in More Than One Year	7,184,488
2540 Net Pension Liability (District's Share)	2,258,249
2545 Net OPEB Liability (District's Share)	4,039,090
2000 Total Liabilities	15,818,849
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	123,742
2606 Deferred Inflow Related to TRS OPEB	1,277,258
2600 Total Deferred Inflows of Resources	1,401,000
NET POSITION	
3200 Net Investment in Capital Assets	4,434,798
3820 Restricted for Federal and State Programs	189,079
3850 Restricted for Debt Service	510,725
3900 Unrestricted	(1,760,962)
3000 Total Net Position	\$ 3,373,640

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, 2019

EXHIBIT B-1

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	1	3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 6,551,097	\$ 72,713	\$ 356,783	\$ (6,121,601)
12 Instructional Resources and Media Services	103,992	-	-	(103,992)
13 Curriculum and Instructional Staff Development	174,011	-	11,266	(162,745)
23 School Leadership	692,866	-	-	(692,866)
31 Guidance, Counseling and Evaluation Services	364,979	-	-	(364,979)
33 Health Services	74,877	-	-	(74,877)
34 Student (Pupil) Transportation	409,911	-	-	(409,911)
35 Food Services	646,626	143,919	594,631	91,924
36 Extracurricular Activities	757,529	22,006	-	(735,523)
41 General Administration	717,717	-	-	(717,717)
51 Facilities Maintenance and Operations	1,619,972	15,183	-	(1,604,789)
53 Data Processing Services	264,329	-	-	(264,329)
61 Community Services	3,968	-	-	(3,968)
72 Debt Service - Interest on Long-Term Debt	267,603	-	-	(267,603)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 12,649,476	\$ 253,821	\$ 962,680	(11,432,975)

Data Control Codes	General Revenues: Taxes:	
MT	Property Taxes, Levied for General Purposes	4,897,723
DT	Property Taxes, Levied for Debt Service	1,254,439
GC	Grants and Contributions not Restricted	5,182,410
IE	Investment Earnings	108,717
MI	Miscellaneous Local and Intermediate Revenue	220,685
SI	Special Item -	1,199,532
TR	Total General Revenues and Special Items	12,863,506
CN	Change in Net Position	1,430,531
NB	Net Position - Beginning	1,943,109
NE	Net Position--Ending	\$ 3,373,640

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 185,898	\$ 2,319	\$ 181,722	\$ 369,939
1120 Investments - Current	3,457,167	407,776	3,942	3,868,885
1220 Property Taxes - Delinquent	712,471	324,175	-	1,036,646
1230 Allowance for Uncollectible Taxes	(142,494)	(64,834)	-	(207,328)
1240 Due from Other Governments	362,310	-	329,162	691,472
1260 Due from Other Funds	430,667	100,629	4,659	535,955
1410 Prepayments	66,286	-	836	67,122
1000 Total Assets	<u>\$ 5,072,305</u>	<u>\$ 770,065</u>	<u>\$ 520,321</u>	<u>\$ 6,362,691</u>
LIABILITIES				
2160 Accrued Wages Payable	\$ 379,391	\$ -	\$ 21,498	\$ 400,889
2170 Due to Other Funds	125,205	-	374,558	499,763
2180 Due to Other Governments	875,981	-	6,138	882,119
2300 Unearned Revenue	-	-	1,977	1,977
2000 Total Liabilities	<u>1,380,577</u>	<u>-</u>	<u>404,171</u>	<u>1,784,748</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	569,977	259,340	-	829,317
2600 Total Deferred Inflows of Resources	<u>569,977</u>	<u>259,340</u>	<u>-</u>	<u>829,317</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	189,079	189,079
3480 Retirement of Long-Term Debt	-	510,725	-	510,725
3600 Unassigned Fund Balance	3,121,751	-	(72,929)	3,048,822
3000 Total Fund Balances	<u>3,121,751</u>	<u>510,725</u>	<u>116,150</u>	<u>3,748,626</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 5,072,305</u>	<u>\$ 770,065</u>	<u>\$ 520,321</u>	<u>\$ 6,362,691</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, 2019

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 3,748,626
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 \$26,313,566 and the accumulated depreciation was (\$14,834,761). 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.	3,371,065
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 2019 capital outlays and debt principal payments is to decrease net position.	1,500,260
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 \$1,367,598, a Deferred Resource Inflow in the amount of \$123,742 and a net pension liability in the amount of \$2,258,249.	(1,014,393)
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 \$4,039,090, a deferred outflow of \$692,758 and a deferred inflow of \$1,277,258. This resulted in a difference between the ending fund balance and the ending net position of (4,623.590).	(4,623,590)
6 The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(437,645)
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.	829,317
19 Net Position of Governmental Activities	\$ 3,373,640

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, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 5,171,219	\$ 1,291,030	\$ 144,009	\$ 6,606,258
5800 State Program Revenues	4,888,577	26,058	3,850	4,918,485
5900 Federal Program Revenues	195,566	-	810,341	1,005,907
5020 Total Revenues	10,255,362	1,317,088	958,200	12,530,650
EXPENDITURES:				
Current:				
0011 Instruction	5,481,080	-	428,223	5,909,303
0012 Instructional Resources and Media Services	96,570	-	-	96,570
0013 Curriculum and Instructional Staff Development	147,343	-	11,266	158,609
0023 School Leadership	634,793	-	-	634,793
0031 Guidance, Counseling, and Evaluation Services	334,845	-	-	334,845
0033 Health Services	64,879	-	-	64,879
0034 Student (Pupil) Transportation	429,813	-	-	429,813
0035 Food Services	-	-	594,631	594,631
0036 Extracurricular Activities	713,519	-	-	713,519
0041 General Administration	665,501	-	-	665,501
0051 Facilities Maintenance and Operations	1,508,114	-	-	1,508,114
0053 Data Processing Services	256,393	-	-	256,393
0061 Community Services	3,719	-	-	3,719
Debt Service:				
0071 Principal on Long-Term Debt	108,458	884,999	-	993,457
0072 Interest on Long-Term Debt	13,708	261,912	-	275,620
Capital Outlay:				
0081 Facilities Acquisition and Construction	420,946	-	-	420,946
6030 Total Expenditures	10,879,681	1,146,911	1,034,120	13,060,712
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(624,319)	170,177	(75,920)	(530,062)
SPECIAL ITEMS:				
7918 Special Item - Resource	1,199,532	-	-	1,199,532
1200 Net Change in Fund Balances	575,213	170,177	(75,920)	669,470
0100 Fund Balance - September 1 (Beginning)	2,546,538	340,548	192,070	3,079,156
3000 Fund Balance - August 31 (Ending)	\$ 3,121,751	\$ 510,725	\$ 116,150	\$ 3,748,626

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

BANQUETE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 669,470
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.	
	-
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.	1,500,260
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.	(437,645)
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.	19,315
Current year changes due to GASB 68 increased revenues in the amount of \$139,876 but also increased expenditures in the amount of \$232,246. The net effect on the change in the ending net position was a decrease in the amount of \$138,804.	(231,174)
Current year changes due to GASB 75 increased revenues in the amount of \$56,743 but also increased expenditures in the amount of \$89,325. The net effect on the change in the ending net position was a decrease in the amount of \$57,113.	(89,695)
Change in Net Position of Governmental Activities	\$ 1,430,531

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

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

	Governmental Activities -
	Internal Service Fund
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 53,572
Investments - Current	28,427
Total Assets	<u>81,999</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	43,161
Total Liabilities	<u>43,161</u>
NET POSITION	
Unrestricted Net Position	38,838
Total Net Position	<u><u>\$ 38,838</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, 2019

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 649
Total Operating Revenues	649
Operating Income	649
Total Net Position - September 1 (Beginning)	38,189
Total Net Position - August 31 (Ending)	\$ 38,838

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, 2019

	Governmental Activities -
	Internal Service Fund
Net Decrease in Cash and Cash Equivalents	(1,075)
Cash and Cash Equivalents at Beginning of Year	83,074
Cash and Cash Equivalents at End of Year	\$ 81,999
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income:	\$ 649
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	(1,724)
Net Cash Used for Operating Activities	\$ (1,075)

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, 2019

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 241,615
Due from Other Funds	15,214
	<hr/>
Total Assets	\$ 256,829
	<hr/>
LIABILITIES	
Payroll Deductions and Withholdings Payable	\$ 205,423
Due to Other Funds	51,406
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Total Liabilities	\$ 256,829
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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, 2019

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 of 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 of 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, 2019

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.

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.

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2019

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".

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".

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2019

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.

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:

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2019

E. OTHER ACCOUNTING POLICIES (continued)

<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.

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.

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2019

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 insure 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.

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, 2019	
<u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 596,189
Nonappropriated Budget Funds	<u>342,276</u>
All Special Revenue Funds	<u>\$ 938,465</u>

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2019

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District had excess of expenditures over appropriations:

General Fund – Function 13 (\$2,595)	General Fund – Function 51 (\$156,880)
General Fund – Function 23 (\$26,356)	General Fund – Function 53 (\$8,283)
General Fund – Function 33 (\$2,009)	General Fund – Function 61 (\$44)
General Fund – Function 34 (\$10,918)	General Fund – Function 81 (\$319,676)
General Fund – Function 36 (\$12,183)	
General Fund – Function 41 (\$26,997)	

The District is continuing to increase its efforts to monitor unfavorable budget variances.

C. DEFICIT FUND EQUITY

There had one Fund Equity Deficit in State Instructional Materials (Fund 410) in the amount of \$(72,929).

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.

At August 31, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$665,126 and the bank balance was \$1,083,296. The District's cash deposits at August 31, 2019 and during the year ended August 31, 2019 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 \$3,932,574.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$2,448,783 and occurred during the month of October, 2018.
- 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.

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2019

A. DEPOSITS AND INVESTMENTS (continued)

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, 2019, are shown below:

Name	Carrying Amount	Market Value
TEXPOOL-MMA	\$ 1,449	\$ 1,449
LONESTAR INV. POOL	1,044	1,044
TEXAS TERM	3,897,312	3,896,707
	<u>\$ 3,899,805</u>	<u>\$ 3,899,200</u>

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.

A. DEPOSITS AND INVESTMENTS (continued)

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.

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, 2019

D. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at August 31, 2019 consisted of the following individual fund balances:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund:		
Special Revenue Fund	\$ 383,920	\$ -
Debt Service Fund	-	100,629
Capital Projects Fund	-	-
Trust & Agency	51,406	15,214
Total General Fund	<u>435,326</u>	<u>115,843</u>
Special Revenue Fund:		
General Fund	-	383,920
Total Special Revenue Fund	<u>-</u>	<u>383,920</u>
Agency Fund		
General Fund	15,214	51,406
	<u>15,214</u>	<u>51,406</u>
Debt Service Fund		
General Fund	100,629	-
TOTAL	<u>\$ 551,169</u>	<u>\$ 551,169</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	189,079
Retirement of Long Term Debt	510,725
	<u>699,804</u>
Unassigned:	
General Fund	3,048,822
Total Fund Balance	<u>\$ 3,748,626</u>

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2019

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2019, was as follows:

	Primary Government		
	Beginning Balance	Additions	Ending Balance
Governmental Activities:			
Land	\$ 230,381	\$ 101,270	\$ 331,651
Buildings and Improvements	22,097,448	-	22,097,448
Furniture and Equipment	3,417,146	77,839	3,494,985
Capital Leases	389,482	-	389,482
Construction in Progress		319,676	319,676
Totals at Historic Cost	<u>26,134,457</u>	<u>498,785</u>	<u>26,633,242</u>
Less Accumulated			
Depreciation for:			
Buildings and Improvements	(10,905,966)	(372,013)	(11,277,979)
Furniture and Equipment	(3,307,794)	(38,418)	(3,346,212)
Capital Leases	<u>(183,355)</u>	<u>(27,211)</u>	<u>(210,566)</u>
Total Accumulated			
Depreciation	<u>(14,397,115)</u>	<u>(437,642)</u>	<u>(14,834,757)</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,737,342</u>	<u>\$ 61,143</u>	<u>\$ 11,798,485</u>

Depreciation expense was charged to governmental function as follows:

Instruction	\$ 223,247
Instructional Resources and Media Services	4,142
Curriculum Dev. And Instructional Staff Dev.	8,285
School Leadership	16,571
Guidance, Counseling and Evaluation Services	8,285
Health Services	4,142
Student (Pupil) Transportation	21,333
Food Services	24,855
Cocurricular/Extracurricular Activities	17,872
General Administration	24,774
Plant Maintenance and Operations	<u>84,136</u>
Total Depreciation Expense	<u>\$ 437,642</u>

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2019

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, 2019, 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	\$ 154,963	\$ 4,709,625	\$ -	\$ 605,000	\$ 4,104,625	\$ 630,000
U/L Tax Refunding Bonds, Series 2015	2-4%	3,245,000	106,950	2,920,000	-	280,000	2,640,000	285,000
Maintenance Tax Notes, Series 2017	2.95%	288,260	8,783	288,260	-	54,130	234,130	56,006
Premium / discount				1,164,892	-	13,746	1,151,146	13,746
Capital Lease			686	18,481	-	18,481	-	-
Capital Lease			1,367	36,577	-	17,947	18,630	18,613
Capital Lease			2,871	75,815	-	17,899	57,916	18,594
Total governmental activities			\$ 275,620	\$ 9,213,650	\$ -	\$ 1,007,203	\$ 8,206,447	\$ 1,021,959

Debt service requirements are as follows:

Year Ended August 31	Principal	Interest	Total Requirements
2020	\$ 1,008,213	\$ 240,107	\$ 1,248,320
2021	1,026,952	204,406	1,231,358
2022	1,064,367	178,170	1,242,537
2023	1,081,110	165,566	1,246,676
2024	1,055,000	165,566	1,220,566
Thereafter	1,819,625	169,075	1,988,700
Total	<u>\$ 7,055,267</u>	<u>\$ 1,122,890</u>	<u>\$ 8,178,157</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, 2019

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 9-18-07. Rental Expenditures totaled \$49,609 in 2019. This was the last year of these contracts.

I. HEALTH CARE COVERAGE

During the year ended August 31, 2019 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, 2019

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.

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

Contribution Rates		
	2018	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Banquete ISD 2019 Employer Contributions		\$ 139,876
Banquete ISD 2019 Member Contributions		\$ 498,690
Banquete ISD 2018 NECE On-Behalf Contributions		\$ 363,246

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).

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2019

J. DEFINED BENEFIT PENSION PLAN (continued)

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.

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.

E. Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

	August 31 2017 rolled forward to August 31, 2018
Valuation Date	
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return*	7.25%
Inflation	2.3%
Salary Increases including inflation	3.05% to 9.05%
Payroll Growth Rate	Not provided
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2019

J. DEFINED BENEFIT PENSION PLAN (continued)

F. Discount Rate

The discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation ¹	Real Return Geometric Basis ²	Long-Term Expected Portfolio Real Rate of Return
Global Equity			
U.S.	18%	5.7%	1.0%
Non-U.S. Developed	13%	6.9%	0.9%
Emerging Markets	9%	8.9%	0.8%
Directional Hedge Funds	4%	3.5%	0.1%
Private Equity	13%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11%	1.1%	0.1%
Absolute Return	0%	0.0%	0.0%
Stable Value Hedge Funds	4%	3.1%	0.1%
Cash	1%	-0.3%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	14%	5.2%	0.7%
Energy and Natural Resources	5%	7.5%	0.4%
Commodities	0%	0.0%	0.0%
Risk Parity			
Risk Parity	5%	3.7%	0.2%
Inflation Expectation			2.3%
Volatility Drag ³			-0.8%
Total	100%		7.20%

¹ Target allocations are based on the FY 2016 policy model.

² Capital markets assumptions come from Aon Hewitt (2017 Q4)

³ The volatility drag results from the conversion between arithmetic and geometric mean returns

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2019

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 (6.907%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
Banquete ISD's proportionate share of the net pension liability:	\$ 3,408,239	\$ 2,258,249	\$ 1,327,264

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

At August 31, 2019, the District reported a liability of \$2,258,249 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	\$2,258,249
State's proportionate share that is associated with the District	<u>5,938,822</u>
Total	<u>\$8,197,071</u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was .0041027420%, which was an increase of 0.003722121% from its proportion measured as of August 31, 2017.

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 Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2019

J. DEFINED BENEFIT PENSION PLAN (continued)

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

For the year ended August 31, 2019, the District recognized pension expense of \$958,835 and revenue of \$587,785 for support provided by the State.

At August 31, 2019, 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	\$ 14,076	\$ 55,409
Changes in actuarial assumptions	814,207	25,444
Difference between projected and actual investment earnings	-	42,848
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	399,439	41
Total as of August 31, 2018 measurement date	1,227,722	123,742
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	139,876	-
Total	\$ 1,367,598	\$ 123,742

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
2020	\$ 291,584
2021	201,409
2022	175,049
2023	178,689
2024	155,205
Thereafter	102,044

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	\$ 1,192,822	\$ 1,203,638	\$ 138,211	\$ 2,258,249

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2019

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

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. 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 the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Plan Premium Rates
Effective Jan. 1, 2018 - Dec. 31, 2018

	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999
* or surviving spouse		

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2019

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.

Contribution Rates		
	2018	2019
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 2019 Employer Contributions		\$ 56,743
Banquete ISD 2019 Member Contributions		\$ 42,097
Banquete ISD 2018 NECE On-Behalf Contributions		\$ 76,395

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 \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

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

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

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

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2019

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	3.69%
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
Projected Salary Increases	3.05% - 9.05%
Healthcare Trend Rates	7.5% - 9.5%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

Other Information: In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption.

Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

Discount Rate. A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of .27 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.

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 (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
Banquete's proportionate share of the Net OPEB liability:	\$ 4,807,905	\$ 4,039,090	\$ 3,430,908

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2019

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:	\$ 3,354,530	\$ 4,039,090	\$ 4,940,670

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

At August 31, 2019, the District reported a liability of \$4,039,090 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	\$ 4,039,090
State's proportionate share that is associated with the District	5,537,271
Total	<u>\$ 9,576,361</u>

The Net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the opeb plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2019 the employer's proportion of the collective Net OPEB Liability was 0.0080893569%, which was an increase (decrease) of 0.0006448643% from its proportion measured as of August 31, 2018.

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 since the prior measurement period:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate was changed from 3.42 percent as of August 31, 2017 to 3.69 percent as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.
- Change of Benefit Terms Since the Prior Measurement Date – Please see the 2018 TRS CAFR, page 68, section B. for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2019

For the year ended August 31, 2019, the District recognized OPEB expense of \$347,851 and revenue of \$201,413 for support provided by the State.

At August 31, 2019, 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	\$ 214,339	\$ 63,743
Changes in actuarial assumptions	67,401	1,213,515
Difference between projected and actual investment earnings	706	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	353,569	-
Total as of August 31, 2018	636,015	1,277,258
Contributions paid to TRS subsequent to the measurement date	56,743	-
Total	\$ 692,758	\$1,277,258

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
2020	\$ (114,985)
2021	(114,985)
2022	(114,985)
2023	(115,119)
2024	(119,195)
Thereafter	(65,974)

	Beginning Balance	Additions	Retirements	Ending Balance
Net OPEB Liability	\$ 3,237,331	\$ 857,564	\$ 55,805	\$ 4,039,090

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, 2019, 2018, and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$24,650, \$19,084, and \$18,297, respectively.

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2019

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.

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 of 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.

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2019

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, 2019:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Net Unrealized Property Taxes	\$ 712,472	\$ 324,174	\$ 1,036,646
Less amounts expected to be collected within 60 days of year end	(142,494)	(64,834)	(207,328)
Total Deferred Revenues	<u>\$ 569,978</u>	<u>\$ 259,340</u>	<u>\$ 829,317</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.

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, 2019, are reported on the combined financial statements as Due From Other Governments and are summarized below:

Fund	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$ 362,310	\$ -	\$ 362,310
Special Revenue	129,598	199,564	329,162
Enterprise Fund	-	-	-
Total	<u>\$ 491,908</u>	<u>\$ 199,564</u>	<u>\$ 691,472</u>

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2019

S. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u>
Property Taxes	\$ 4,878,408	\$ -	\$ 1,254,539	\$ -	\$ 6,132,947
Penalties, Interest and Other	85,396	-	25,287	-	110,683
Tax-related Income					
Investment Income	97,513	90	11,204	-	108,807
Food Sales	-	143,918	-	-	143,918
Co-curricular Student	22,006	-	-	-	22,006
Activities					
Other	87,896	-	-	-	87,896
	<u>87,896</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,896</u>
Total	<u>\$ 5,171,219</u>	<u>\$ 144,008</u>	<u>\$ 1,291,030</u>	<u>\$ -</u>	<u>\$ 6,606,257</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.

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 22, 2020, the date which the financial statements were available to be issued.

Banquete Independent School District
Notes to the Financial Statements
Year ended August 31, 2019

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 2018-2019		\$ 775,850
b) Subtract any non-medical expenditures		
Life Insurance	\$ -	
Long-Term Disability	-	-
c) 2018-2019 Maintenance of Effort		<u>\$ 775,850</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 \$1,199,532 in 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, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 4,571,658	\$ 4,837,659	\$ 5,171,219	\$ 333,560
5800 State Program Revenues	5,174,378	5,174,378	4,888,577	(285,801)
5900 Federal Program Revenues	-	-	195,566	195,566
5020 Total Revenues	9,746,036	10,012,037	10,255,362	243,325
EXPENDITURES:				
Current:				
0011 Instruction	5,903,304	5,625,005	5,481,080	143,925
0012 Instructional Resources and Media Services	103,786	96,902	96,570	332
0013 Curriculum and Instructional Staff Development	144,789	144,748	147,343	(2,595)
0023 School Leadership	666,984	608,437	634,793	(26,356)
0031 Guidance, Counseling, and Evaluation Services	334,943	316,108	334,845	(18,737)
0033 Health Services	51,980	62,870	64,879	(2,009)
0034 Student (Pupil) Transportation	345,235	418,895	429,813	(10,918)
0036 Extracurricular Activities	635,330	701,336	713,519	(12,183)
0041 General Administration	619,880	638,504	665,501	(26,997)
0051 Facilities Maintenance and Operations	1,203,926	1,351,234	1,508,114	(156,880)
0053 Data Processing Services	232,407	248,110	256,393	(8,283)
0061 Community Services	3,600	3,675	3,719	(44)
Debt Service:				
0071 Principal on Long-Term Debt	120,000	108,458	108,458	-
0072 Interest on Long-Term Debt	-	13,708	13,708	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	101,270	420,946	(319,676)
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	6,000	6,000	-	6,000
6030 Total Expenditures	10,372,164	10,445,260	10,879,681	(434,421)
1100 Excess (Deficiency) of Revenues Over (Under)	(626,128)	(433,223)	(624,319)	(191,096)
Expenditures				
SPECIAL ITEMS:				
7918 Special Item - Resource	-	-	1,199,532	1,199,532
1200 Net Change in Fund Balances	(626,128)	(433,223)	575,213	1,008,436
0100 Fund Balance - September 1 (Beginning)	2,546,538	2,546,538	2,546,538	-
3000 Fund Balance - August 31 (Ending)	\$ 1,920,410	\$ 2,113,315	\$ 3,121,751	\$ 1,008,436

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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, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.004102742%	0.00373053%	0.003710186%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,258,249	\$ 1,192,822	\$ 1,402,024
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	5,938,822	3,530,359	4,101,463
Total	<u>\$ 8,197,071</u>	<u>\$ 4,723,181</u>	<u>\$ 5,503,487</u>
District's Covered Payroll	\$ 6,368,922	\$ 6,098,997	\$ 6,202,071
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	35.46%	19.56%	22.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

Note: In accordance with GASB 68, Paragraph 138, only five years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

<u>FY 2016</u>		<u>FY 2015</u>	
<u>Plan Year 2015</u>		<u>Plan Year 2014</u>	
	0.0034459%		0.0017238%
\$	1,218,080	\$	460,151
	3,777,788		3,340,420
\$	<u>4,995,868</u>	\$	<u>3,800,571</u>
\$	5,850,793	\$	5,476,195
	20.82%		8.41%
	78.43%		83.25%

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

	2019	2018	2017
Contractually Required Contribution	\$ 139,876	\$ 138,804	\$ 174,535
Contribution in Relation to the Contractually Required Contribution	(139,876)	(138,804)	(174,535)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 6,476,485	\$ 6,368,922	\$ 5,783,140
Contributions as a Percentage of Covered Payroll	2.16%	2.18%	3.02%

Note: GASB 68, Paragraph 81 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 years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

<hr/>		<hr/>	
2016		2015	
<hr/>		<hr/>	
\$	225,375	\$	179,685
	(225,375)		(179,685)
<hr/>		<hr/>	
\$	-	\$	-
<hr/>		<hr/>	
\$	6,202,071	\$	5,850,793
	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, 2019

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

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

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

BANQUETE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2019

	2019	2018
Contractually Required Contribution	\$ 56,743	\$ 57,113
Contribution in Relation to the Contractually Required Contribution	(56,743)	(57,113)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered Payroll	\$ 6,476,485	\$ 6,368,922
Contributions as a Percentage of Covered Payroll	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, 2019

Data Control Codes		211	212	240	242
		ESEA I, A Improving Basic Program	ESEA Title I Part C Migrant	National Breakfast and Lunch Program	Summer Feeding Program
ASSETS					
1110	Cash and Cash Equivalents	\$ 4,481	\$ -	\$ 177,241	\$ -
1120	Investments - Current	3,942	-	-	-
1240	Due from Other Governments	127,270	11,098	-	30,345
1260	Due from Other Funds	-	-	2,766	-
1410	Prepayments	-	-	836	-
1000	Total Assets	<u>\$ 135,693</u>	<u>\$ 11,098</u>	<u>\$ 180,843</u>	<u>\$ 30,345</u>
LIABILITIES					
2160	Accrued Wages Payable	\$ 9,153	\$ 2,352	\$ 9,993	\$ -
2170	Due to Other Funds	126,540	4,699	12,116	-
2180	Due to Other Governments	-	4,047	-	-
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	<u>135,693</u>	<u>11,098</u>	<u>22,109</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	158,734	30,345
3600	Unassigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>158,734</u>	<u>30,345</u>
4000	Total Liabilities and Fund Balances	<u>\$ 135,693</u>	<u>\$ 11,098</u>	<u>\$ 180,843</u>	<u>\$ 30,345</u>

255 ESEA II, A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	289 Other Federal Special Revenue Funds	410 State Instructional Materials	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 181,722
-	-	-	-	3,942
14,640	84	16,127	129,598	329,162
-	1,893	-	-	4,659
-	-	-	-	836
<u>\$ 14,640</u>	<u>\$ 1,977</u>	<u>\$ 16,127</u>	<u>\$ 129,598</u>	<u>\$ 520,321</u>
\$ -	\$ -	\$ -	\$ -	\$ 21,498
12,549	-	16,127	202,527	374,558
2,091	-	-	-	6,138
-	1,977	-	-	1,977
<u>14,640</u>	<u>1,977</u>	<u>16,127</u>	<u>202,527</u>	<u>404,171</u>
-	-	-	-	189,079
-	-	-	(72,929)	(72,929)
-	-	-	<u>(72,929)</u>	<u>116,150</u>
<u>\$ 14,640</u>	<u>\$ 1,977</u>	<u>\$ 16,127</u>	<u>\$ 129,598</u>	<u>\$ 520,321</u>

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

Data Control Codes	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	\$ 90	\$ -	\$ 143,919	\$ -
5800 State Program Revenues	-	-	3,850	-
5900 Federal Program Revenues	206,324	102,184	454,918	-
5020 Total Revenues	206,414	102,184	602,687	-
EXPENDITURES:				
Current:				
0011 Instruction	195,148	102,184	-	-
0013 Curriculum and Instructional Staff Development	11,266	-	-	-
0035 Food Services	-	-	594,631	-
6030 Total Expenditures	206,414	102,184	594,631	-
1200 Net Change in Fund Balance	-	-	8,056	-
0100 Fund Balance - September 1 (Beginning)	-	-	150,678	30,345
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ 158,734	\$ 30,345

255 ESEA II, A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	289 Other Federal Special Revenue Funds	410 State Instructional Materials	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 144,009
-	-	-	-	3,850
31,029	-	15,886	-	810,341
31,029	-	15,886	-	958,200
31,029	-	15,886	83,976	428,223
-	-	-	-	11,266
-	-	-	-	594,631
31,029	-	15,886	83,976	1,034,120
-	-	-	(83,976)	(75,920)
-	-	-	11,047	192,070
\$ -	\$ -	\$ -	\$ (72,929)	\$ 116,150

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T.E.A. REQUIRED SCHEDULES

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	Various	Various	\$ 2,145,429,390
2011	1.040000	0.433400	257,794,930
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 (School year under audit)	1.170000	0.299360	398,714,320
1000 TOTALS			

(10) Beginning Balance 9/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2019
\$ 257,525	\$ -	\$ 6,785	\$ 2,120	\$ (19,855)	\$ 228,765
42,400	-	1,781	686	(960)	38,973
40,651	-	2,003	915	(876)	36,857
98,065	-	4,535	2,058	(2,516)	88,956
74,288	-	3,584	1,051	(937)	68,716
80,764	-	6,181	1,813	262	73,032
79,057	-	13,903	4,078	2,093	63,169
112,480	-	24,854	7,290	(45)	80,291
227,271	-	68,895	20,209	(8,592)	129,575
-	6,132,716	4,745,309	1,214,152	55,057	228,312
<u>\$ 1,012,501</u>	<u>\$ 6,132,716</u>	<u>\$ 4,877,830</u>	<u>\$ 1,254,372</u>	<u>\$ 23,631</u>	<u>\$ 1,036,646</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, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 157,850	\$ 157,850	\$ 143,919	\$ (13,931)
5800 State Program Revenues	3,150	3,150	3,850	700
5900 Federal Program Revenues	459,000	459,000	454,918	(4,082)
5020 Total Revenues	620,000	620,000	602,687	(17,313)
EXPENDITURES:				
Current:				
0035 Food Services	596,189	596,189	594,631	1,558
6030 Total Expenditures	596,189	596,189	594,631	1,558
1200 Net Change in Fund Balances	23,811	23,811	8,056	(15,755)
0100 Fund Balance - September 1 (Beginning)	150,678	150,678	150,678	-
3000 Fund Balance - August 31 (Ending)	\$ 174,489	\$ 174,489	\$ 158,734	\$ (15,755)

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, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,169,876	\$ 1,169,876	\$ 1,291,030	\$ 121,154
5800 State Program Revenues	-	-	26,058	26,058
5020 Total Revenues	1,169,876	1,169,876	1,317,088	147,212
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	884,999	884,999	884,999	-
0072 Interest on Long-Term Debt	261,912	261,912	261,912	-
6030 Total Expenditures	1,146,911	1,146,911	1,146,911	-
1200 Net Change in Fund Balances	22,965	22,965	170,177	147,212
0100 Fund Balance - September 1 (Beginning)	340,548	340,548	340,548	-
3000 Fund Balance - August 31 (Ending)	\$ 363,513	\$ 363,513	\$ 510,725	\$ 147,212

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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, 2019, and the related notes to the financial statements, which collectively comprise Banquete Independent School District's basic financial statements, and have issued our report thereon dated January 22, 2020.

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 Banquete Independent School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 22, 2020

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 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, 2019. Banquete Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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, 2019.

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.

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, 2019, and have issued our report thereon dated January 22, 2020, 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 expenditures 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, Texas

January 22, 2020

BANQUETE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2019

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, 2019

N/A

BANQUETE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2019

N/A

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

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) 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	19-610101178913	\$ 206,324
ESEA, Title I, Part C - Migratory Children	84.011	19-615001178913	102,184
ESEA, Title II, Part A, Teacher Principal Training	84.367A	19-694501178913	31,029
*Total Education Passed (Calc)	84.424A	19-680101178913	15,886
Total Passed Through State Department of Education			355,423
TOTAL U.S. DEPARTMENT OF EDUCATION			355,423
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		156,883
*National School Lunch Program - Cash Assistance	10.555		298,035
Total Child Nutrition Cluster			454,918
Total Passed Through the State Department of Agriculture			454,918
TOTAL U.S. DEPARTMENT OF AGRICULTURE			454,918
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 810,341

*Clustered Programs

BANQUETE INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2019

- For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

- The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement- Provisional 6/97.
- CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplemental Food Program (CFDA 10.565), and the Food Distribution Program on Indian Reservations (CFDA 10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering Banquete Independent School District fiscal year beginning September 1, 2013, and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.

RECONCILIATION FROM THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO
EXHIBIT C-3:

Total Federal Awards Expended	\$ 810,431
SHARS	<u>195,566</u>
Exhibit C-3	<u>\$1,005,907</u>

SCHOOLS FIRST QUESTIONNAIRE

BANQUETE INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2019

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	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 make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	0
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	2258249
SF13	Pension Expense (6147) at fiscal year-end.	0