

**SWEENY
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
AUGUST 31, 2020**



**8 WEST WAY COURT
LAKE JACKSON, TEXAS 77566**

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SWEENEY INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report
For the Year Ended August 31, 2020*

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SWEENEY INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report
For the Year Ended August 31, 2020*

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INTRODUCTORY SECTION

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CERTIFICATE OF BOARD

Sweeny Independent School District
Name of School District

Brazoria
County

020-906
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved ___ disapproved for the year ended August 31, 2020, at a meeting of the board of trustees of such school district on the 12th day of January, 2021.


Signature of Board Secretary


Signature of Board President

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

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FINANCIAL SECTION

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Independent Auditor's Report

To the Board of Trustees
Sweeny Independent School District
Sweeny, Texas 77480

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the 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.

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Lake Jackson, TX 77566
979-297-4075

El Campo
201 W. Webb St.
El Campo, TX 77437
979-543-6836

Angleton
2801 N. Velasco, Suite C
Angleton, TX 77515
979-849-8297

Bay City
2245 Avenue G
Bay City, TX 77414
979-245-9236



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 Sweeny Independent School District, as of August 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 24, budgetary comparison information on page 85, the required pension schedules on pages 86 through 89, and the required Postemployment Benefit Other Than Pension (OPEB) schedules on pages 90 and 91 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 District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and the required Texas Education Agency schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, required Texas Education Agency schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the required Texas Education Agency schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Trustees
Sweeny Independent School District
Sweeny, Texas 77480
Page 3

The introductory section has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2020, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KM&L, LLC

Lake Jackson, Texas
December 17, 2020

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SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2020

As management of the Sweeny Independent School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2020. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent period by \$ 37,054,595 (*net position*). Of this amount, unrestricted net position of \$ 7,258,285 may be used to meet the District's ongoing obligation.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 30,417,785. Approximately 46% of this total amount, \$ 13,986,234 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 13,986,234, or 65% of the total general fund expenditures.
- The District reported net pension liability of \$ 4,191,389 and a net OPEB liability of \$ 8,217,024, at August 31, 2020, with the implementation of GASB Statements Nos. 68, 71, and 75.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference being reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no *business-type activities*. The government-wide financial statements can be found on pages 26 through 27 of this report.

SWEENY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2020

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole.

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District maintains twenty-two (22) governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, Sweeny Independent School District Education Foundation (blended component unit), debt service fund, and capital project fund; all of which are considered to be major funds. Data from the other eighteen (18) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund, national school breakfast and lunch program special revenue fund, and debt service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 28 through 33 of this report.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position that can be found on pages 34 and 35. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2020

Notes to the financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37 through 82 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 85 through 91 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements can be found on pages 94 through 101 of this report. Other schedules are to be found on page 102 through 105 of this report.

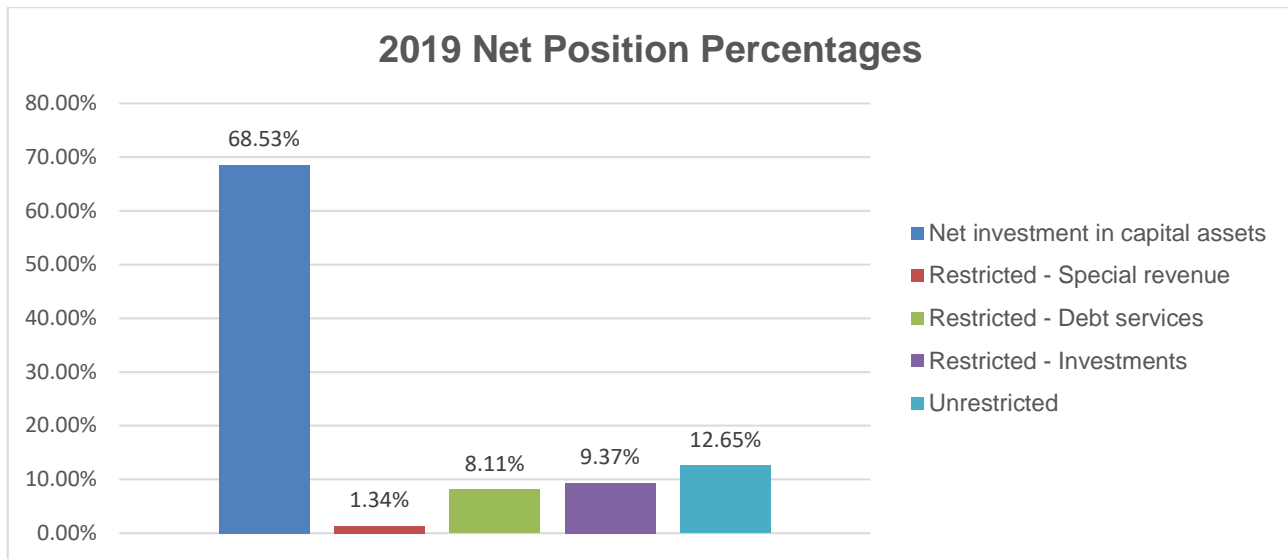
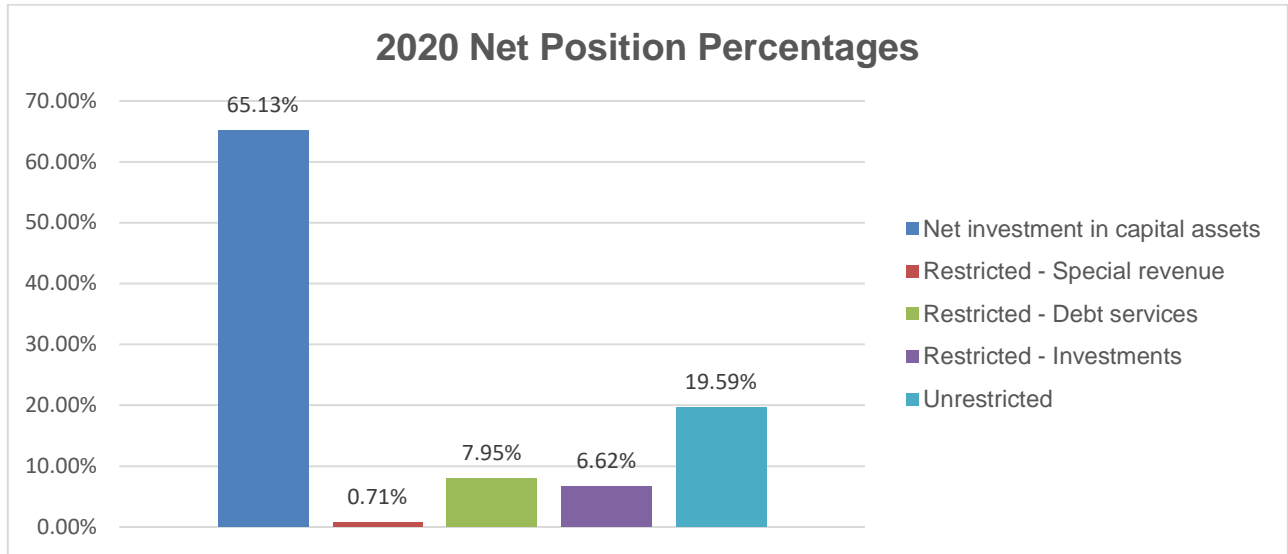
Government-wide Financial Analysis

Net position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 37,054,595 as of August 31, 2020. Net position of the District's governmental activities increased from \$ 34,264,384 to \$ 37,054,595.

The District's Net Position

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 36,566,672	\$ 44,294,002
Capital assets	<u>78,505,313</u>	<u>58,439,651</u>
Total assets	<u>115,071,985</u>	<u>102,733,653</u>
Deferred outflows of resources	<u>4,484,790</u>	<u>3,652,486</u>
Long-term liabilities outstanding	72,113,795	66,771,642
Other liabilities	<u>6,140,217</u>	<u>2,545,232</u>
Total liabilities	<u>78,254,012</u>	<u>69,316,874</u>
Deferred inflows of resources	<u>4,248,168</u>	<u>2,804,881</u>
Net Position:		
Net investment in capital assets	24,133,800	23,480,553
Restricted	5,662,510	6,451,028
Unrestricted	<u>7,258,285</u>	<u>4,332,803</u>
Total net position	<u>\$ 37,054,595</u>	<u>\$ 34,264,384</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2020



Investment in capital assets (e.g., land, buildings and improvements, furniture, equipment, and vehicles, and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$ 24,133,800. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position (approximately 15%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$ 7,258,285 may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are less than currently available resources.

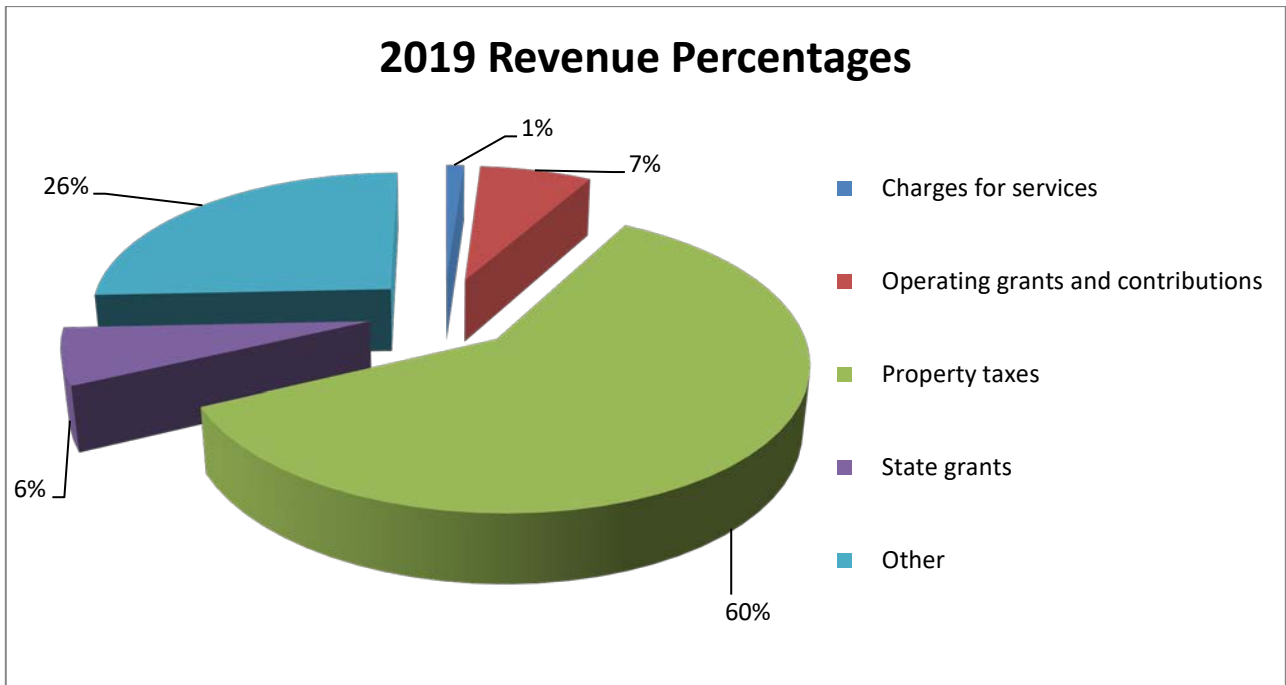
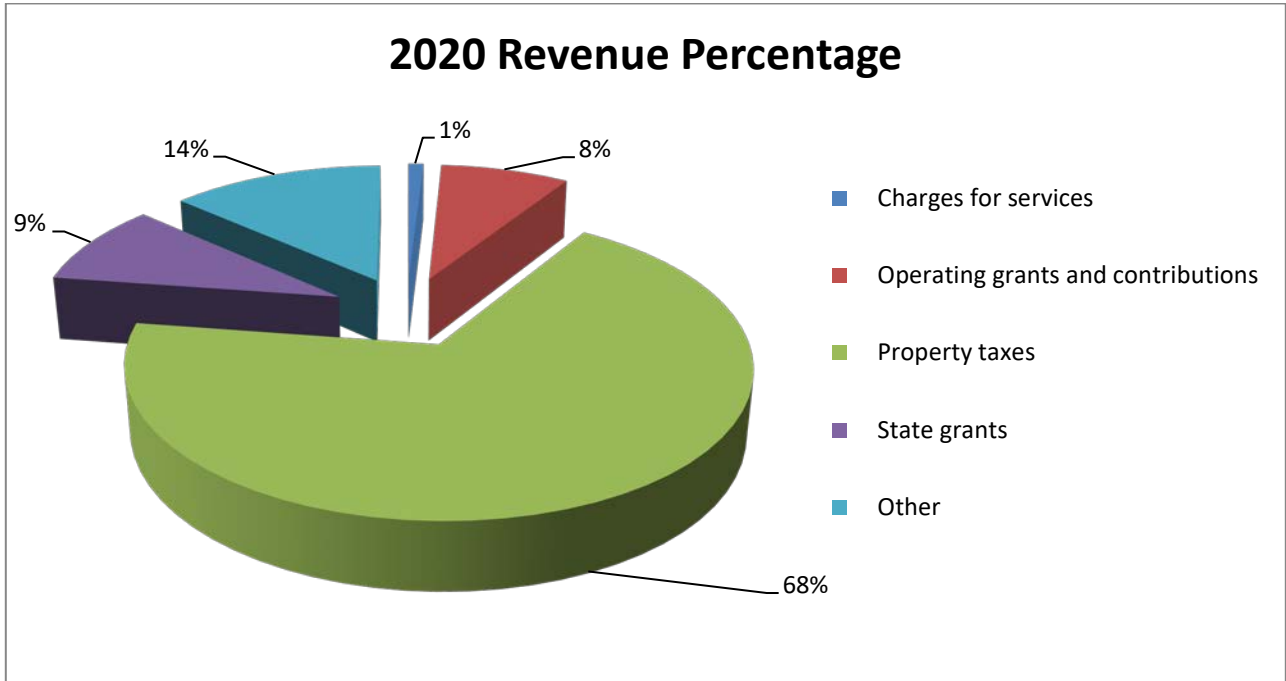
SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2020

Governmental activities. The District's total net position increased by \$ 2,790,211. The total cost of all *governmental activities* this year was \$ 29,517,917. The amount that our taxpayers paid for these activities through property taxes was \$ 22,053,501 or 75% of total costs. The amount of costs that were paid by those who directly benefited from the programs was \$ 307,066 or 1%. The costs that were paid by other governments and organizations that subsidized certain programs with grants and contributions or by some state equalization funding was \$ 2,619,665 or 9% and \$ 2,996,197 or 10%, respectively.

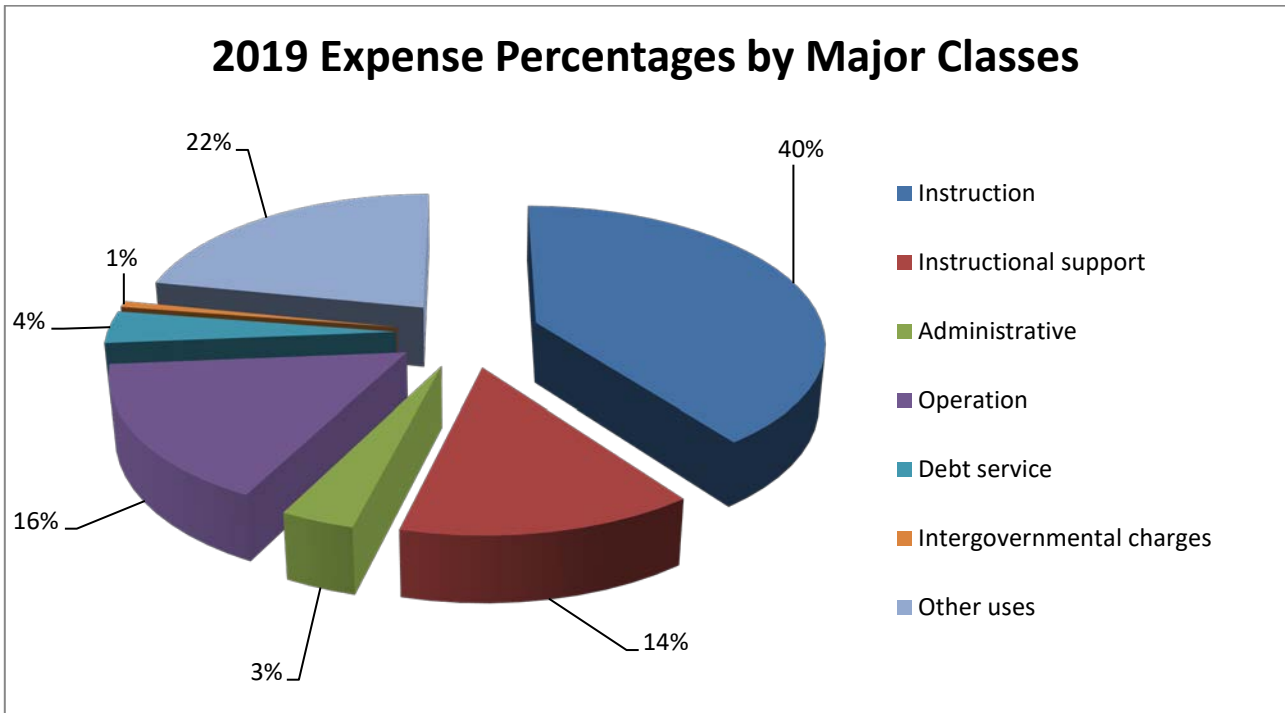
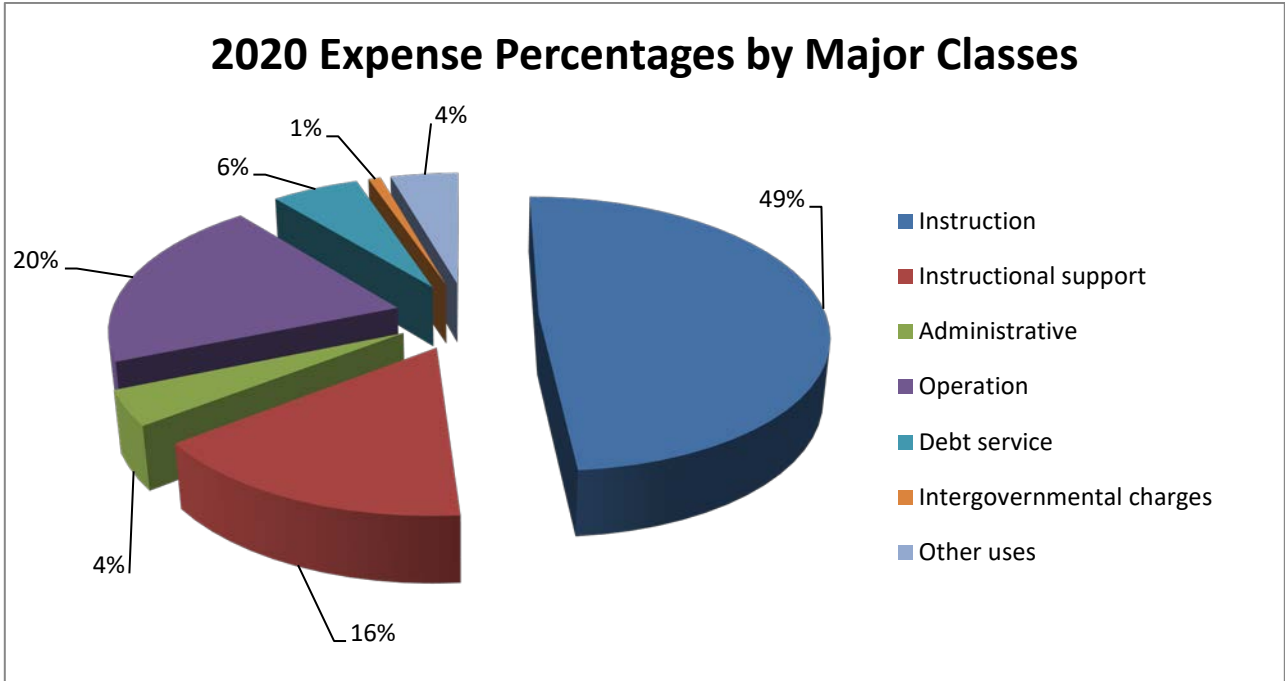
Changes in the District's Net Position

	<u>2020</u>	<u>2019</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 307,066	\$ 444,745
Operating grants & contributions	2,619,665	2,792,964
General revenues:		
Property taxes	22,053,501	23,701,552
State grants	2,996,197	2,509,556
Other	<u>4,331,699</u>	<u>10,178,225</u>
Total revenues	<u>32,308,128</u>	<u>39,627,042</u>
Expenses:		
Instruction	13,635,581	12,446,423
Instructional resources & media services	413,487	343,187
Curriculum & staff development	318,647	304,885
Instructional leadership	614,249	655,872
School leadership	1,304,322	1,153,809
Guidance, counseling & evaluation services	647,838	821,492
Social work services	71,583	69,311
Health services	331,288	271,342
Student (pupil) transportation	816,272	854,707
Food services	990,449	1,157,851
Extracurricular activities	1,733,143	1,651,567
General administration	1,209,873	1,162,716
Facilities maintenance and operations	3,500,661	2,676,902
Security and monitoring services	279,554	153,901
Data processing services	407,988	468,079
Community services	8,935	8,935
Debt service-interest and fees on long-term debt	1,691,662	1,244,691
Contracted instructional services	1,290,858	7,134,220
Payments related to shared services arrangements	12,300	12,300
Other intergovernmental charges	<u>239,227</u>	<u>234,260</u>
Total expenses	<u>29,517,917</u>	<u>32,826,450</u>
Change in net position	2,790,211	6,800,592
Net position - beginning	<u>34,264,384</u>	<u>27,463,792</u>
Net position - ending	<u>\$ 37,054,595</u>	<u>\$ 34,264,384</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2020



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MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2020



SWEENEY INDEPENDENT SCHOOL DISTRICT
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Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 30,417,485, a decrease of \$ 11,300,842. Approximately 46% of this total amount (\$ 13,986,234) constitutes *unassigned fund balance*. The remainder of fund balance is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending because it has already been classified 1) for inventories \$ 65,951, 2) for prepaid items \$ 202,477, 3) for grant funds \$ 221,254, 4) for capital acquisitions and contractual obligations \$ 5,167,954, 5) for debt service \$ 2,927,219, 6) for long-term investments \$ 2,451,718, 7) for claims and judgments \$ 250,000, 8) for capital expenditures for equipment \$ 350,000, 9) for other purposes \$ 2,317,963, and 10) for other assignment \$ 2,476,715.

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 13,986,234, while the total fund balance was \$ 17,289,216. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 65% of the total general fund expenditures, while total fund balance represents 80% of that same amount.

The fund balance of the District's general fund increased \$ 2,810,652 or 19% during the current fiscal year compared to last year's total general fund balance of \$ 14,478,564. Revenues decreased from prior year approximately \$ 7,391,020 or 23%. Expenditures decreased approximately 17% from prior year from \$ 26,140,178 to \$ 21,573,835. Key factors related to this change were as follows:

- Instruction cost increased \$ 1,156,125 from prior year.
- Contracted and instructional services cost decreased \$ 5,843,362 from prior year.

The Sweeny Education Foundation fund has a total fund balance of \$ 4,769,681, of which \$ 2,451,718 is restricted for long-term investment and \$ 2,317,963 is committed for other purposes. The net decrease in fund balance during the period in the Sweeny Education Foundation fund was \$ 4,984.

The debt service fund has a total fund balance of \$ 2,927,219 all of which is restricted for the payment of debt service. The net increase in fund balance during the period in the debt service fund was \$ 170,458. The increase in fund balance was mainly due to the District collecting more taxes to pay for the District's debt obligations during the fiscal year.

The capital project fund has a total fund balance of \$ 5,167,954 all of which is restricted for capital acquisitions and contractual obligations. The net decrease in fund balance during the period in the capital project fund was \$ 14,217,216. The decrease in fund balance was mainly due to the District having issued \$ 8,710,000 in Unlimited Tax School Building Bonds and major capital construction of \$ 23,689,964.

SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 AUGUST 31, 2020

General Fund Budgetary Highlights

Over the course of the year, the District recommended and the Board approved revisions to budgeted revenue and appropriations. These amendments fall into the following categories:

- Amendments approved shortly after the beginning of the new fiscal period for amounts reserved and designated in the prior year.
- Amendments to budget for donations received during the period.
- Amendments during the period for unexpected occurrences.

Following is a summary of amendments made to appropriations:

- \$ 3,035,128 increase in revenues from local and intermediate sources
- \$ 761,142 decrease in state program revenues
- \$ 60,000 increase in federal program revenues
- \$ 371,951 increase in payroll cost
- \$ 323,502 increase in professional and contracted services
- \$ 582,660 increase in supplies and materials
- \$ 15,653 increase in other operating expenses
- \$ 440,000 increase in capital outlay

After appropriations were amended as described above, actual revenues were more than the final budget by \$ 60,574. Actual expenditures were \$ 3,318,949 below final budget amounts. The major portion of this positive variance was due to the decreases in expenditures in instruction, student (pupil) transportation, general administration, facility maintenance and operations, and contracted instructional services.

Capital Asset and Debt Administration

Capital assets. The District's investments in capital assets for its governmental activities as of August 31, 2020 amounts to \$ 78,505,313 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture, equipment and vehicles, and construction in progress.

District's Capital Assets (net of depreciation)

	<u>2020</u>	<u>2019</u>
Land	\$ 1,377,896	\$ 1,377,896
Buildings and improvements	51,326,626	54,014,073
Furniture, equipment and vehicles	3,804,162	2,494,433
Construction in progress	<u>21,996,629</u>	<u>553,249</u>
Total at historical cost	<u>\$ 78,505,313</u>	<u>\$ 58,439,651</u>

Additional information on the District's capital assets can be found in Note 5 on page 59 through 60 of this report.

SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 AUGUST 31, 2020

Long-term debt. At August 31, 2020, the District had total long-term debt outstanding of \$ 72,113,795, an increase of \$ 5,342,153 from the previous year, primarily due to the payment of outstanding bonds, issuance of a new bond, and the change in pension and OPEB liability. Long-term debt is made up of the following:

	2020	2019
General obligation bonds	\$ 55,150,000	\$ 49,975,000
Tax notes	1,330,000	1,465,000
Notes payable	96,094	141,724
Net pension liability	4,191,389	4,080,292
Net OPEB liability	8,217,024	8,112,560
Premium on general obligation bonds	3,129,288	2,997,066
Total long-term debt	\$ 72,113,795	\$ 66,771,642

Moody's Aaa rating on the District's bonded indebtedness is provided by a guarantee of the Texas Permanent School Fund for timely payment of principal and interest in the event the District is unable to meet debt service requirements. Moody's Aaa underlying rating is representative of the District's sizable but highly concentrated tax base, low debt levels, and modest financial reserves. Additional information on the District's long-term debt can be found in Note 6 on pages 60 through 64 of this report.

Economic Factors and Next Year's Budgets and Rates

- Appraised values used for the 2020-21 budget increased \$ 411,294,115 or 11.97% from 2019-20 values.
- The District's 2020-21 refined average daily attendance is expected to be 1,861.
- The District's attendance rate is estimated to be 95%.
- The total Maintenance and Operations revenue budget is \$ 27,198,717. The revenue breakdown is \$ 21,557,536 from local funds, \$ 5,226,181 from state funds, and \$ 415,000 from federal funds.
- The District has adopted a surplus budget of \$ 1,614,819. The District has appropriated General Fund revenues of \$ 27,198,717 and expenditures of \$ 22,134,132 which include recapture expenditures of \$ 3,449,766.
- The 2020 tax rate was set at \$ 1.0364 (\$ 0.8847 for Maintenance and Operations and \$0.1517 for Interest and Sinking).
- For 2020-21, the District has budgeted 3% across the board midpoint incentive of \$431,250.
- Excluding recapture, the 2020-21 employee salaries amount to 81.43% of the General fund budget.
- The District funds \$ 264 per employee per month for health insurance, \$ 38.31 for dental insurance, \$ 1.90 for \$ 20,000 life insurance, and \$ 8.81 for accident insurance for those who decline health.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, Sweeny Independent School District, 1310 North Elm, Sweeny, Texas, 77480.

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

Exhibit A-1

Data Control Codes		Governmental Activities
	ASSETS:	
1110	Cash and cash equivalents	\$ 32,252,822
1120	Current investments	946,601
1220	Property taxes receivables	590,756
1230	Allowance for uncollectible taxes	(380,246)
1240	Due from other governments	341,724
1250	Accrued interest	4,098
1290	Other receivables (net)	13,746
1300	Inventories	65,951
1410	Prepaid items	279,502
	Capital Assets:	
1510	Land	1,377,896
1520	Buildings and improvements, net	51,326,626
1530	Furniture, equipment and vehicles, net	3,804,162
1580	Construction in progress	21,996,629
1910	Investments	<u>2,451,718</u>
1000	Total assets	<u>115,071,985</u>
	DEFERRED OUTFLOWS OF RESOURCES:	
1700	Deferred outflows of resources	<u>4,484,790</u>
	Total deferred outflows of resources	<u>4,484,790</u>
	LIABILITIES:	
2110	Accounts payable	3,463,680
2140	Accrued Interest payable	141,130
2150	Payroll deductions and withholding payable	203,695
2160	Accrued wages payable	847,098
2180	Payable to other governments	1,202,298
2300	Unearned revenue	282,316
	Noncurrent Liabilities:	
2501	Due within one year	3,931,032
2502	Due in more than one year - bonds payable and others	55,774,350
2540	Net pension liability	4,191,389
2545	Net OPEB liability	<u>8,217,024</u>
2000	Total liabilities	<u>78,254,012</u>
	DEFERRED INFLOWS OF RESOURCES	
2600	Deferred inflows of resources	<u>4,248,168</u>
	Total deferred inflows of resources	<u>4,248,168</u>
	NET POSITION:	
3200	Net investment in capital assets	24,133,800
	Restricted For:	
3820	Federal and state programs	263,415
3850	Debt service	2,947,377
3890	Long-term investments	2,451,718
3900	Unrestricted	<u>7,258,285</u>
3000	Total net position	<u>\$ 37,054,595</u>

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

SWEENEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2020

Exhibit B-1

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net Expense and Changes in Net Position
			3 Charges for Services	4 Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 13,635,581	\$	\$ 1,571,733	\$(12,063,848)
12	Instructional resources and media services	413,487		18,546	(394,941)
13	Curriculum and staff development	318,647		20,551	(298,096)
21	Instructional leadership	614,249		97,312	(516,937)
23	School leadership	1,304,322		64,716	(1,239,606)
31	Guidance, counseling, and evaluation services	647,838		36,193	(611,645)
32	Social work services	71,583		9,525	(62,058)
33	Health services	331,288		15,974	(315,314)
34	Student (pupil) transportation	816,272		28,212	(788,060)
35	Food services	990,449	252,259	544,973	(193,217)
36	Extracurricular activities	1,733,143	54,807	36,876	(1,641,460)
41	General administration	1,209,873		47,008	(1,162,865)
51	Facilities maintenance and operations	3,500,661		77,802	(3,422,859)
52	Security and monitoring services	279,554		19,462	(260,092)
53	Data processing services	407,988		18,482	(389,506)
61	Community services	8,935			(8,935)
72	Debt service - interest on long-term debt	1,523,132			(1,523,132)
73	Debt service - bond issuance costs and fees	168,530			(168,530)
91	Contracted instructional services	1,290,858			(1,290,858)
93	Payments related to shared services arrangements	12,300		12,300	-0-
99	Other intergovernmental charges	239,227			(239,227)
TG	Total governmental activities	<u>\$ 29,517,917</u>	<u>\$ 307,066</u>	<u>\$ 2,619,665</u>	<u>\$(26,591,186)</u>
General Revenues:					
Taxes:					
MT	Property taxes, levied for general purposes				\$ 17,587,754
DT	Property taxes, levied for debt service				4,465,747
SF	State aid-formula grants				2,996,197
GC	Grants and contributions not restricted to specific programs				547,116
IE	Investment earnings				662,777
MI	Miscellaneous				<u>3,121,806</u>
TG	Total general revenues				<u>29,381,397</u>
CN	Change in net position				2,790,211
NB	Net position - beginning				<u>34,264,384</u>
NE	Net position - ending				<u>\$ 37,054,595</u>

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

SWEENEY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2020

Exhibit C-1
Page 1 of 2

Data Control Codes	10 General Fund	40 Sweeny Education Foundation	50 Debt Service Fund	60 Capital Project Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:							
Assets:							
1110	Cash and cash equivalents	\$ 19,336,219	\$ 2,020,721	\$ 2,267,560	\$ 7,933,755	\$ 694,567	\$ 32,252,822
1120	Current investments		293,144	653,457			946,601
1220	Property taxes receivable	513,188		77,568			590,756
1230	Allowance for uncollectible taxes	(331,185)		(49,061)			(380,246)
1240	Receivables from other governments	186,734			154,990		341,724
1250	Accrued interest		4,098				4,098
1260	Due from other funds	170,915		917	121,491		293,323
1290	Other receivables	967			12,779		13,746
1300	Inventories	23,790			42,161		65,951
1410	Prepaid items	202,477			77,025		279,502
1910	Investments		2,451,718				2,451,718
1000	Total assets	<u>20,103,105</u>	<u>4,769,681</u>	<u>2,950,441</u>	<u>8,055,246</u>	<u>981,522</u>	<u>36,859,995</u>
Deferred Outflows of Resources:							
1700	Deferred outflows of resources						
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1000A	Total assets and deferred outflows of resources	<u>\$ 20,103,105</u>	<u>\$ 4,769,681</u>	<u>\$ 2,950,441</u>	<u>\$ 8,055,246</u>	<u>\$ 981,522</u>	<u>\$ 36,859,995</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2020

Exhibit C-1
Page 2 of 2

Data Control Codes	10 General Fund	40 Sweeny Education Foundation	50 Debt Service Fund	60 Capital Project Fund	Other Governmental Funds	98 Total Governmental Funds	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:							
Liabilities:							
2110	Accounts payable	\$ 381,487	\$	\$	\$ 2,884,702	\$ 197,491	\$ 3,463,680
2150	Payroll deductions and withholdings	197,664			2,590	3,441	203,695
2160	Accrued wages payable	792,093				55,005	847,098
2170	Due to other funds	122,408				170,915	293,323
2180	Payable to other governments	1,190,295				12,003	1,202,298
2300	Unearned revenue			3,064		279,252	282,316
2000	Total liabilities	<u>2,683,947</u>	<u>-0-</u>	<u>3,064</u>	<u>2,887,292</u>	<u>718,107</u>	<u>6,292,410</u>
Deferred Inflows of Resources:							
2600	Deferred inflows of resources	<u>129,942</u>		<u>20,158</u>			<u>150,100</u>
	Total deferred inflows of resources	<u>129,942</u>	<u>-0-</u>	<u>20,158</u>	<u>-0-</u>	<u>-0-</u>	<u>150,100</u>
Fund Balances:							
Nonspendable:							
3410	Inventories	23,790				42,161	65,951
3430	Prepaid items	202,477					202,477
Restricted:							
3450	Grant funds					221,254	221,254
3470	Capital acquisitions and contractual obligations				5,167,954		5,167,954
3480	Debt service			2,927,219			2,927,219
3490	Long-term investments		2,451,718				2,451,718
Committed:							
3520	Claims and judgments	250,000					250,000
3530	Capital expenditures for equipment	350,000					350,000
3545	Other purposes		2,317,963				2,317,963
Assigned:							
3590	Other	2,476,715					2,476,715
3600	Unassigned	<u>13,986,234</u>					<u>13,986,234</u>
3000	Total fund balances	<u>17,289,216</u>	<u>4,769,681</u>	<u>2,927,219</u>	<u>5,167,954</u>	<u>263,415</u>	<u>30,417,485</u>
4000	Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,103,105</u>	<u>\$ 4,769,681</u>	<u>\$ 2,950,441</u>	<u>\$ 8,055,246</u>	<u>\$ 981,522</u>	<u>\$ 36,859,995</u>

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

SWEENEY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
YEAR ENDED AUGUST 31, 2020

Exhibit C-1R

Total Fund Balances - Total Governmental Funds (Exhibit C-1)	\$ 30,417,485
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 127,514,719 in assets less \$ 49,009,406 in accumulated depreciation.	78,505,313
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. Deferred property tax revenues for the general fund and the debt service fund amounted to \$ 129,942 and \$ 20,158, respectively.	150,100
Payments for pension contributions of \$ 287,409 and OPEB contributions of \$ 115,521 from the TRS actuary date to the District's year-end are reported as expenditures in the funds and deferred outflows of resources in the governmental activities statement of position.	402,930
Pension deferred outflows of resources of \$ 1,740,215 less pension deferred inflows of resources of \$ 693,361	1,046,854
OPEB deferred outflows of resources of \$ 2,034,600 less pension deferred inflows of resources of \$ 3,554,807	(1,520,207)
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. This is the bond refunding costs which is amortized over the life of the refunding bond, or the refunded bonds, whichever is shorter. The amount is bond refunding costs of \$ 811,680 less accumulated amortization costs of \$ 504,635.	307,045
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds increase long-term liabilities in the governmental activities statement of net position. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds was (premium on sale of bonds of \$ 3,915,673 less amortization cost of \$ 786,385).	(3,129,288)
Payables for net pension liability are not reported in the funds	(4,191,389)
Payables for net OPEB liability are not reported in the funds	(8,217,024)
Payables for bond principal are not reported in the funds.	(56,480,000)
Payables for notes principle and tax notes are not reported in the funds.	(96,094)
Payables for bond interest are not reported in the funds.	(<u>141,130</u>)
Total Net Position - Governmental Activities (Exhibit A-1)	\$ <u><u>37,054,595</u></u>

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

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

Exhibit C-2

Data Control Codes		10 General Fund	40 Sweeny Education Foundation	50 Debt Service Fund	60 Capital Project Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:							
5700	Local and intermediate sources	\$ 20,984,580	\$ 141,577	\$ 4,523,163	\$ 258,063	\$ 384,172	\$ 26,291,555
5800	State program revenues	2,938,206		737,477	5,792	301,257	3,982,732
5900	Federal program revenues	410,315				1,633,130	2,043,445
5020	Total revenues	<u>24,333,101</u>	<u>141,577</u>	<u>5,260,640</u>	<u>263,855</u>	<u>2,318,559</u>	<u>32,317,732</u>
EXPENDITURES:							
Current:							
0011	Instruction	11,023,864			937,700	1,193,155	13,154,719
0012	Instructional resources and media services	332,183			116,720		448,903
0013	Curriculum and staff development	297,623				10,255	307,878
0021	Instructional leadership	494,898				81,659	576,557
0023	School leadership	1,201,243					1,201,243
0031	Guidance, counseling, and evaluation services	603,479				1,520	604,999
0032	Social work services	62,694				6,105	68,799
0033	Health services	298,084					298,084
0034	Student (pupil) transportation	579,708			135,288		714,996
0035	Food services					993,516	993,516
0036	Extracurricular activities	866,268			105,458	29,099	1,000,825
0041	General administration	1,145,629	1,492		7,810		1,154,931
0051	Facilities maintenance and operations	2,382,068			21,820,146	153,910	24,356,124
0052	Security and monitoring services	192,643			157,949	39,861	390,453
0053	Data processing services	357,085					357,085
Debt Service:							
0071	Principal on long-term debt	180,630		3,535,000			3,715,630
0072	Interest on long-term debt	25,651		1,636,597			1,662,248
0073	Bond issuance costs and fees			168,530			168,530
Intergovernmental:							
0091	Contracted instructional services	1,290,858					1,290,858
0093	Payments related to shared services arrangements					12,300	12,300
0099	Other intergovernmental charges	239,227					239,227
6030	Total expenditures	<u>21,573,835</u>	<u>1,492</u>	<u>5,340,127</u>	<u>23,281,071</u>	<u>2,521,380</u>	<u>52,717,905</u>
1100	Excess (deficiency) of revenues over expenditures	<u>2,759,266</u>	<u>140,085</u>	<u>(79,487)</u>	<u>(23,017,216)</u>	<u>(202,821)</u>	<u>(20,400,173)</u>
OTHER FINANCING SOURCES (USES):							
7911	Issuance of bonds				8,710,000		8,710,000
7912	Sale of real and personal property	49,386					49,386
7915	Transfers in	2,000				2,984	4,984
7916	Premium on issuance of bonds			249,945	90,000		339,945
8911	Transfers out		(4,984)				(4,984)
	Total other financing sources and (uses)	<u>51,386</u>	<u>(4,984)</u>	<u>249,945</u>	<u>8,800,000</u>	<u>2,984</u>	<u>9,099,331</u>
1200	Net change in fund balances	2,810,652	135,101	170,458	(14,217,216)	(199,837)	(11,300,842)
0100	Fund balances - beginning	<u>14,478,564</u>	<u>4,634,580</u>	<u>2,756,761</u>	<u>19,385,170</u>	<u>463,252</u>	<u>41,718,327</u>
3000	Fund balances - ending	<u>\$ 17,289,216</u>	<u>\$ 4,769,681</u>	<u>\$ 2,927,219</u>	<u>\$ 5,167,954</u>	<u>\$ 263,415</u>	<u>\$ 30,417,485</u>

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

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

Exhibit C-2R

Net Change in Fund Balances - Total Governmental Funds (Exhibit C-2) \$(11,300,842)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays \$ 23,689,965 was less than depreciation of \$ 2,787,709 in the current period.	20,902,256
Governmental funds report pension payments as expenditures. However, in the governmental activities statement of activities, the pension cost is calculated by an actuary and involves multiple factors. The amount of pension expense reported was \$ 521,539 more than the amount reported in the funds.	(521,539)
Governmental funds report OPEB payments as expenditures. However, in the governmental activities statement of activities, the OPEB cost is calculated by an actuary and involves multiple factors. The amount of OPEB expense reported was \$ 248,267 more than the amount reported in the funds.	(248,267)
Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Change in deferred property tax revenues for the general fund and the debt service fund amounted to \$ 8,349 and \$ 1,255, respectively.	(9,604)
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net position. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds were \$ 132,222 (amortization of \$ 207,723 less premium on sale of bonds of \$ 339,945).	(132,222)
Deferred refunding cost is another use in the governmental funds, but the costs increase deferred outflows in the statement of net position. This amount is amortized over the life of the refunding bonds or the refunded bonds, whichever is shorter. Current year amortized amount was \$ 56,738.	(56,738)
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the governmental activities statement of net position. Long-term proceeds in the governmental fund were \$ 8,710,000 for notes.	(8,710,000)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net position. This amount was for general obligation bonded debt \$ 3,715,630.	3,715,630
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount of accrued interest on long-term debt of \$ 11,869.	(11,869)
Governmental funds report proceeds from the sale of assets as revenue. However, in the governmental activities statement of activities, the cost of the assets disposed is offset against the proceeds to report gain or loss on the disposition of assets. The cost of assets disposed was \$ 836,594 (cost of \$ 3,329,252 less accumulated depreciation of \$ 2,492,658).	(<u>836,594</u>)

Change in Net Position - Governmental Activities (Exhibit B-1) \$ 2,790,211

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

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

Exhibit E-1

	<u>Family Crisis Trust</u>	<u>Agency Funds</u>
ASSETS:		
Cash and cash equivalents	\$ <u>19,807</u>	\$ <u>224,802</u>
Total assets	<u>19,807</u>	<u>\$ 224,802</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows of resources	<u> </u>	
Total deferred outflows of resources	<u>-0-</u>	
LIABILITIES:		
Amounts due to student groups and others	<u> </u>	\$ <u>224,802</u>
Total liabilities	<u>-0-</u>	<u>\$ 224,802</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources	<u> </u>	
Total deferred inflows of resources	<u>-0-</u>	
NET POSITION:		
Held in trust for family crisis	<u>19,807</u>	
Total net position	<u>\$ 19,807</u>	

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

SWEENEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED AUGUST 31, 2020

Exhibit E-2

	Family Crisis Trust
ADDITIONS	
Total additions	\$ <u>-0-</u>
DEDUCTIONS	
Total deductions	<u>-0-</u>
Change in net position	-0-
NET POSITION	
Net position - beginning	<u>19,807</u>
Net position - ending	<u>\$ 19,807</u>

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

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

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SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sweeny 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 that are 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 (GASB) and other authoritative sources; and it complies with the requirements of the appropriate version of Texas Education Agency's (the "TEA") *Financial Accountability System Resource Guide* (the "Resource Guide" or "FASRG") and the requirements of contracts and grants of agencies from which it receives funds.

The following is a summary of the most significant accounting policies.

Reporting Entity

The District is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the District's financial reporting entity. Based on these considerations, the District's basic financial statements do not include any other entities. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is that of a primary government are: that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Board of Trustees (the "Board") is elected by the public and 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 GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14. and No. 34". A blended component unit, although a legally separate entity, is, in substance, part of the District's operations.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

- Blended component unit. The Sweeny Independent School District Education Foundation was established under Internal Revenue Service regulations as a conduit for tax-deductible donations to the District. The Foundation's board is approved by the Superintendent. The Foundation is a supporting organization to the District. The Foundation is presented as a special revenue fund of the District.

The District receives support from various PTO and booster clubs. None of these organizations meet the criteria specified by GASB 61 to be included in the District's financial statements

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report financial information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The *governmental activities* are supported by tax revenues, state foundation funds, grants, and intergovernmental revenues. The District has no *business-type activities* that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Interfund activities between governmental funds appear as due to/due from on the Governmental Funds Balance Sheet and as other resources and other uses on the Governmental Funds Statement of Revenues, Expenditure and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as receivables and payables on the government-wide statement of net position.

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

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation

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

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State of Texas are recognized under the susceptible-to-accrual concept, that is, when they are both measurable and available. 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.

Revenue from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

Grant funds are considered earned to the extent of the expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until the 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.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as needed.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Major revenue sources include local property taxes, state funding under the Foundation School Program and interest earnings. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal and state government, food service, debt service, and capital projects.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation (Continued)

The *Sweeny Education Foundation* accounts for contributions that are tax-deductible. The foundation was established as a conduit for tax-deductible donations to the District.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the general fund after all of the related debt obligations have been met. Major revenue sources include local property taxes, and interest earnings. Expenditures include all costs associated with related debt service.

The *capital projects fund* accounts for the resources accumulated and made for Board authorized acquisition, construction, or renovation, as well as, furnishing and equipping of major capital facilities. The major revenue source includes investment earnings and other resources from proceeds from sale of general obligation bonded debt.

Additionally, the District reports the following fiduciary funds:

The *private-purpose trust funds* are used to account for donations and other specified donor purposes for family crisis. The District uses the fund to pay for medical care needed by disadvantaged students who cannot afford such care.

The *agency fund* accounts for resources held in a custodial capacity by the District, and consists of funds that are the property of students or others.

Cash and Investments

The District considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Current investments have an original maturity greater than three months but less than one year at the time of purchase. Non-current investments have an original maturity of greater than one year at the time of purchase.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All outstanding balances between funds are reported as "due to/from other funds". The District had no advances between funds. See Note 4 for additional discussion of interfund receivables and payables.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business property located in the district in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The appraisal and recording of all property within the District is the responsibility of the Brazoria County Appraisal District (BCAD), an independent governmental unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. BCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years.

Under certain circumstances taxpayers and taxing units, including the District, may challenge orders of the BCAD Review Board through various appeals and, if necessary, legal action.

The assessed value of the property tax roll on August 1, 2019, upon which the levy for the 2019-20 fiscal year was based, was \$ 1,850,866,252. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 20% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2020 to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 0.9900 and \$ 0.1517 per \$ 100 valuation, respectively, for a total of \$ 1.1417 per \$ 100 valuation.

Current tax collections for the year ended August 31, 2020 were 99.15% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting 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. As of August 31, 2020, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 182,003 and \$ 28,507 for the general and debt service funds, respectively.

Inventories

The consumption method is used to account for inventories (food products, school supplies and athletic equipment) of governmental funds. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. Governmental fund inventories are offset by a fund balance reserve indicating that they are unavailable as current expendable financial resources. 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 market value is recorded as inventory and unearned revenue when received in the governmental funds. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation

Capital assets, which include land, buildings and improvements, and furniture, equipment and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$ 5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. 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. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Furniture and equipment	5-20
Vehicles	10-15

Deferred Outflows and Inflows of Resources

Guidance for deferred outflows of resources and deferred inflows of resources is provided by GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Further, GASB No. 65, "Items Previously Reported as Assets and Liabilities", had an objective to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

Compensated Absences

Compensated absences are absences for which employees will be paid. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

In the governmental funds, compensated absences that are expected to be liquidated with expendable available resources are reported as an expenditure and fund liability in the fund that will pay for them. The remainder of the compensated absences liability is reported in long-term liabilities on the statement of net position.

Vacations are to be taken within the twelve month period that they are earned. Any unused vacation days will be forfeited with the exception of five carry over days per year. A maximum of twenty total days can be accumulated and paid when an employee retires without prior approval. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, no liability for unused sick leave has been accrued in the accompanying basic financial statements.

The following is a summary of changes in the accumulated unused vacation liability:

	<u>2020</u>
Balance, September 1	\$ 158,352
Additions - net unused	62,588
Deductions - payments	<u>(35,799)</u>
Balance, August 31	<u>\$ 185,799</u>

The amounts attributable to the current and non-current portions on the liability resulting from this policy can only be estimated. As such, the entire amount of the liability is accounted for in the general fund, national school breakfast and lunch program special revenue fund and capital project fund as current liability.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditure or expenses in the current period. Net pension and OPEB liabilities are reported as long term liabilities and pension and OPEB expenses, based upon actuarial data, are reported as expenses within functional categories.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing resources. 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. Net pension and OPEB costs are reported, based upon required contributions for the current period, are reported within functional categories as expenditures.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

Budgetary Data

Formal budgetary accounting is employed for all required governmental funds, as outlined in TEA's FASRG, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

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

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, debt service fund and the national school breakfast and lunch program (special revenue fund). The remaining special revenue funds and the capital projects fund (if utilized) adopt project-length budgets, which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. The budget was properly amended throughout the year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Data (Continued)

The Official Budget was prepared for adoption for the general fund, national school breakfast and lunch program (special revenue fund) and debt service fund prior to August 31, 2019. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within fund groups at the function code level and revenue object code level.

The Budget is formally adopted by the Board of Trustees at a duly advertised public meeting in accordance with law prior to the expenditure of funds. The approved budget is filed with the Texas Education Agency (TEA) through the Public Education Information Management System. Should any change in the approved budget be required, budget amendment requests are presented to the Board of Trustees for consideration. Amendments are made before the fact and once approved are reflected in the official minutes. During the year the budget was properly amended in accordance with the above procedures.

Encumbrance Accounting

The District utilizes encumbrance accounting, in its governmental funds. Encumbrances represent commitments related to contracts not yet performed (executor contracts), and are used to control expenditures for the period and to enhance cash management. A school district often issues purchase orders or signs contracts for the purchase of goods and services to be received in the future. At the time these commitments are made, which in its simplest form means that when a purchase order is prepared, the appropriate account is checked for available funds. If an adequate balance exists, the amount of the order is immediately charged to the account to reduce the available balance for control purposes. The encumbrance account does not represent and expenditure for the period, only a commitment to expend resources.

Prior to the end of the current period, every effort should be made to liquidate outstanding encumbrances. When encumbrances are outstanding at the current period end, the school district likely will honor the open purchase orders or contracts that support the encumbrances. For reporting purposes, as noted earlier, outstanding encumbrances are not considered expenditures for the current period. If the school district allows encumbrances to lapse, even though it plans to honor the encumbrances, the appropriations authority expires and the items represented by the encumbrances are usually re-appropriated in the following year's budget. Open encumbrances at current period-end are included in restricted, committed or assigned fund balance, as appropriate.

The District canceled all the open purchase orders at the end of fiscal year. Therefore, the District had no outstanding encumbrances as of August 31, 2020.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances

The District's Board of Trustees meets on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The District's Unassigned General Fund Balance is maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned General Fund Balance may only be appropriated by resolution of the Board of Trustees. Fund Balance of the District may be committed for a specific source by formal action of the District's Board of Trustees. Amendments or modifications of the committed fund balance must also be approved by formal action by the District's Board of Trustees. When it is appropriate for fund balance to be assigned, the Board of Trustees, delegates authority to the Superintendent or the Executive Director of Business Services. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The District implemented GASB Statement No. 54, "Fund Balance, Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on government's fund balance more transparent. The following classifications describe the relative strength of spending constraints:

Nonspendable Fund Balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted Fund Balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions of enabling legislation).

Committed Fund Balance - Amounts that can only be used for specific purposes because of board resolution by the Board of Trustees.

Assigned Fund Balance - Amounts that are constrained by the District's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by the Chief Financial Officer. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned Fund Balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amount had been restricted, committed or assigned.

SWEENY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

As of August 31, 2020, nonspendable fund balances include \$ 23,790 for inventories and \$ 202,477 for prepaid items in the general fund and \$ 42,161 for inventories in national school breakfast and lunch program (special revenue fund). Restricted fund balances include \$ 2,451,718 for Sweeny education foundation fund long-term investments, \$ 2,927,219 for debt service fund, \$ 5,167,954 for capital projects fund, and \$ 221,254 for special revenue funds. Committed fund balances include \$ 250,000 for claims and judgments and \$ 350,000 for capital expenditures for equipment in the general fund, and \$ 2,317,963 for other purpose in Sweeny Education Foundation fund. Assigned fund balance includes \$ 2,476,715 in the general fund for other purposes. Unassigned fund balance includes \$ 13,986,234 in the general fund.

Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the FASRG. The TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reporting amounts of assets and deferred outflows of resources, and, liabilities and deferred inflows of resources at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

New Pronouncements

GASB issues statements on a routine basis with the intent to provide authoritative guidance on the preparation of financial statements and to improve governmental accounting and financial reporting of governmental entities. Management reviews these statements to ensure that preparation of its financial statements are in conformity with generally accepted accounting principles and to anticipate changes in those requirements. The following recent GASB Statements reflect the action and consideration of management regarding these requirements:

GASB No. 84 "Fiduciary Activities" was issued in January 2017. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this Statement are effective for periods beginning after December 15, 2019.

GASB No. 87 "Leases" was issued in June 2017. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this Statement are effective for periods beginning after June 15, 2021.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements (Continued)

GASB No. 88 “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements” was issued in April 2018. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

GASB No. 89 “Accounting for Interest Cost Incurred before the End of a Construction Period” was issued in June 2018. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

GASB No. 90 “Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61” was issued in August 2018. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB No. 91 “Conduit Debt Obligations” was issued in May 2019. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

GASB No. 92 “Omnibus 2020” was issued in January 2020. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

GASB No. 93 “Replacement of Interbank Offered Rates” was issued in March 2020. The management of the District does not expect the implementation of this standard to have a material effect on the financial statement of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB No. 94 “Public-Private and Public-Public Partnerships and Availability Payment Arrangements” was issued in March 2020. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB No. 95 “Postponement of the Effective Dates of Certain Authoritative Guidance” was issued in May 2020. The statement was implemented and did not have a material effect on the financial statements of the District. The requirements of this statement are effective immediately.

GASB No. 96 “Subscription-Based Information Technology Arrangements” was issued in May 2020. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2020***NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****New Pronouncements (Continued)**

GASB No. 97 "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" was issued in June 2020. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES

The District classifies deposits and investments for financial statement purposes as cash and cash equivalents, current investments, and non-current investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose an investment is considered a cash equivalent if when purchased it has maturity of three months or less. Investments are classified as either current investments or non-current investments. Current investments have maturity of one year or less and non-current investments are those that have a maturity of one year or more.

Cash and cash equivalents, current investments, and non-current investments as reported on the statement of net position at August 31, 2020 are as follows:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents:			
Cash (petty cash accounts)	\$ 137	\$	\$ 137
Financial Institution Deposits:			
Demand deposits	2,100,888	244,609	2,345,497
Texpool	9,385,017		9,385,017
MBIA Texas Class	20,761,911		20,761,911
Lonestar	<u>4,869</u>		<u>4,869</u>
Total cash and cash equivalents	<u>32,252,822</u>	<u>244,609</u>	<u>32,497,431</u>
Current Investments:			
Mutual fund	<u>946,601</u>		<u>946,601</u>
Total current investments	<u>946,601</u>	<u>-0-</u>	<u>946,601</u>
Non-current Investments:			
Certificates of deposit	1,867,000		1,867,000
Other investments	<u>584,718</u>		<u>584,718</u>
Non-current investments	<u>2,451,718</u>	<u>-0-</u>	<u>2,451,718</u>
Totals	<u>\$ 35,651,141</u>	<u>\$ 244,609</u>	<u>\$ 35,895,750</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the District’s deposits may not be returned to them. The District requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

Under Texas state law, a bank serving as the school depository must have a bond or in lieu thereof, deposited or pledged securities with the District or an independent third party agent, an amount equal to the highest daily balance of all deposits the District may have during the term of the depository contract, less any applicable FDIC insurance.

At August 31, 2020, in addition to petty cash of \$ 137, the carrying amount of the District's cash, savings, and time deposits was \$ 4,212,497 and the financial institutions balances were \$ 4,936,480. Deposit balances of \$ 413,655 were covered by federal depository insurance, \$ 3,132,079 was covered by the Securities Investor Protection Corporation Insurance, and \$ 2,343,263 was covered by collateral pledged in the District’s name. The collateral was held in safekeeping departments of unrelated banks, which act as the pledging bank’s agent. These amounts include those of the Sweeny Education Foundation.

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

Depository:

- a. Name of bank: First State Bank of Louise, Sweeny, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 4,500,000.
- c. Largest cash, savings and time deposit combined account balance amounted to \$ 7,975,462 and occurred on June 25, 2020.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$ 413,655. Total amount of Securities Investor Protection Corporation Insurance coverage at the time of the largest combined balance was \$ 3,124,907. \$ 4,429,728 was covered by collateral pledged in the District’s name.

Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the District to invest its funds under written investment policy (the “investment policy”) that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

The District's deposits and investments are invested pursuant to the investment policy, which is approved by the Board of Trustees. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it includes and "Investment Strategy Statement" that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the District will deposit funds is addressed. The District's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The District's management believes it complied with the requirements of the PFIA and the District's investment policy.

The District's Investment Officer submits an investment report each quarter to the Board of Trustees. The report details the investment positions of the District and the compliance of the investment portfolio's as they relate to both the adopted investment strategy statements and Texas State law.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009;
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010;
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011;
4. Banker's acceptances as permitted by Government Code 2256.012;
5. Commercial paper as permitted by Government Code 2256.013;
6. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014;
7. A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015; and
8. Public funds investment pools as permitted by Government Code 2256.016.

The District participates in a repurchase agreement for the purpose of investing funds to pay matured bonds. This agreement governs the investment of bond payments at a fixed rate between the District and the depository on scheduled dates. This agreement is not considered a deposit and is not insured by federal deposit insurance or any other insurance. These investments have a custodial risk as uninsured and unregistered, with securities held by the financial institutions trust department or agent in the District's name.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

The District entered into this agreement for the purpose of repaying bonds. This agreement shall not be terminable upon demand. The District will participate in this agreement until completion of term with an interest rate of 2.95% on the investments. The District will then repay bonds with this investment. During the year ended August 31, 2020 the District made its 13th payment of \$ 37,307. At August 31, 2020 the value of cash and investments were \$ 653,457. See Note 6 on pages 60-64 for additional information regarding the bonds and mandatory sinking fund requirements.

The District participates in three Local Government Investment Pools (LGIPs): Texpool, Lonestar and MBIA Texas Class. The State Comptroller oversees Texpool and Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. Advisory boards consisting of participants or their designees, maintains oversight responsibility for MBIA Texas Class and Lonestar.

The District invests in Texpool, Lonestar and MBIA Texas Class to provide its liquidity needs. Texpool, Lonestar and MBIA Texas Class are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. Texpool, Lonestar and MBIA Texas Class are 2(a)7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. Texpool, Lonestar and MBIA Texas Class are rated AAA and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit.

At August 31, 2020 Texpool, Lonestar and MBIA Texas Class had a weighted average maturity of 37 days, 27 days and 50 days, respectively. Although Texpool, Lonestar and MBIA Texas Class portfolios had a weighted average maturity of 37 days, 27 days and 50 days, respectively, the District considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value. The District's investments in LGIPs are insured, registered, or the District's agent holds the securities in the District's name; therefore, the District is not exposed to custodial risk.

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2020***NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)****Investments (Continued)**

The following table includes the portfolio balances of all investment types of the District at August 31, 2020.

	<u>Maturity Date</u>	<u>Coupon Rate (%)</u>	<u>Weighted Average Maturity (Days)</u>	<u>Fair Value</u>
Local Government Investment Pools:				
Texpool	N/A	Varies daily	37	\$ 9,385,017
MBIA Texas Class	N/A	Varies daily	50	20,761,911
Lonestar	N/A	Varies daily	27	<u>4,869</u>
Total local government investment pools			46	<u>30,151,797</u>
Certificates of Deposit:				
Certificate of deposit	12/23/20	1.80%	114	248,000
Certificate of deposit	06/30/22	1.55%	668	248,000
Certificate of deposit	07/01/21	1.55%	304	248,000
Certificate of deposit	01/15/21	1.70%	137	138,000
Certificate of deposit	12/19/22	2.60%	840	248,000
Certificate of deposit	12/18/25	2.50%	1935	246,000
Certificate of deposit	07/06/21	1.55%	309	245,000
Certificate of deposit	01/31/22	1.70%	518	<u>246,000</u>
Total Certificates of Deposit			630	<u>1,867,000</u>
U.S. Government Bonds				
Discount notes	12/16/20	0.00%	107	110,037
Municipal Bonds	02/15/21	3.25%	168	<u>474,681</u>
Total U. S. Government Bonds			156	<u>584,718</u>
Mutual Fund	N/A	N/A	1	<u>946,601</u>
Total			79	<u>\$ 33,550,116</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

Credit Risk - As of August 31, 2020, the LGIPs (which represent approximately 90% of the portfolio) are rated AAAM by Standard and Poor's or AAA by Finch. Certificates of deposit (which represent approximately 5% of the portfolio) are fully insured by the Securities Investor Protection Corporation Insurance and by federal depository insurance through CDARS programs. The U.S. government bond (which represent approximately 2% of the portfolio) are rated AAA by Standard and Poor's. The mutual fund (which represents approximately 3% of the portfolio) is not rated.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lesser of a dollar weighted average maturity of 365 days or the anticipated cash flow requirements of the funds. Quality short-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets the District's cash flow requirements.

At August 31, 2020, 97% of the investment portfolio was invested in AAAM or AAA rated LGIPs (2(a)7 like pools), U.S. Government Securities, and certificates of deposit. 3% of the investment portfolio was invested in mutual funds. The dollar weighted average maturity for all investments was 79 days, which was less than the threshold of 365 days.

Fair Value - The District categorizes its fair value measurements within the fair value hierarchy established by GASB No 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2020***NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)****Investments (Continued)**

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value as of August 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Governmental Bonds	\$ 584,718	\$	\$	\$ 584,718
Mutual Funds	<u>946,601</u>	<u> </u>	<u> </u>	<u>946,601</u>
Total assets at fair value	<u>\$ 1,531,319</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,531,319</u>

NOTE 3. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES AND UNEARNED REVENUES**Receivables and Allowances**

Receivables as of August 31, 2020, for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Sweeny Education Foundation</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivables:					
Property taxes	\$ 513,188	\$	\$ 77,568	\$	\$ 590,756
Receivables from other governments	186,734			154,990	341,724
Interest		4,098			4,098
Other	<u>967</u>	<u> </u>	<u> </u>	<u>12,779</u>	<u>13,746</u>
Gross receivables	700,889	4,098	77,568	167,769	950,324
Less: allowance for uncollectibles	<u>331,185</u>	<u> </u>	<u>49,061</u>	<u> </u>	<u>380,246</u>
Net total receivables	<u>\$ 369,704</u>	<u>\$ 4,098</u>	<u>\$ 28,507</u>	<u>\$ 167,769</u>	<u>\$ 570,078</u>

Receivables/Payables from/to 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. All federal grants shown below are passed through the TEA or other state agency and are reported on the combined financial statements as either Receivable from or to Other Governments, as applicable.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 3. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES AND UNEARNED REVENUES (Continued)

Receivables/Payables from/to Other Governments (Continued)

Amounts due from federal, state, and local governments as of August 31, 2020 are summarized below:

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>State Grants and Other</u>	<u>Total</u>
Major Governmental Funds:				
General	\$ 151,604	\$	\$ 35,130	\$ 186,734
Other governmental funds	<u> </u>	<u>153,256</u>	<u>1,734</u>	<u>154,990</u>
Totals	<u>\$ 151,604</u>	<u>\$ 153,256</u>	<u>\$ 36,864</u>	<u>\$ 341,724</u>

Amounts due to federal, state, and local governments as of August 31, 2020 are summarized below:

<u>Fund</u>	<u>State Entitlements</u>	<u>Other</u>	<u>Total</u>
Major Governmental Funds:			
General	\$ 1,190,295	\$	\$ 1,190,295
Other funds	<u> </u>	<u>12,003</u>	<u>12,003</u>
Totals	<u>\$ 1,190,295</u>	<u>\$ 12,003</u>	<u>\$ 1,202,298</u>

Deferred Outflows and Inflows of Resources/Unearned Revenue

Governmental Funds

Governmental funds defer the recognition of revenue in connection with receivables that are considered to be unavailable to liquidate liabilities of the current period and report these amounts as deferred inflows of resources. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of August 31, 2020, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
Delinquent property taxes receivable (general fund)	\$ 129,942	\$
Delinquent property taxes receivable (debt service fund)	20,158	
Federal food commodities		5,186
Advance Funding - State and local grants		257,436
Advance Funding - Other	<u> </u>	<u>19,694</u>
Totals	<u>\$ 150,100</u>	<u>\$ 282,316</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2020***NOTE 3. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES AND UNEARNED REVENUES (Continued)****Deferred Outflows and Inflows of Resources/Unearned Revenue (Continued)**Governmental Activities

Governmental activities defer the recognition of pension and OPEB expenses for contributions made from the measurement date (August 31, 2019) to the current year-end of August 31, 2020 and report these as deferred outflows of resources. Governmental activities also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a deferred inflow of resources. Further, for governmental activities, like governmental funds, defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of August 31, 2020, the various components of deferred inflows and outflows of resources and unearned revenue reported in the governmental activities were as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
Pension deferred inflows and outflows of resources	\$ 1,740,215	\$ 693,361	\$
Pension contributions subsequent to the measurement date	287,409		
OPEB deferred inflows and outflows of resources	2,034,600	3,554,807	
OPEB contributions subsequent to the measurement date	115,521		
Bond refunding cost	307,045		
Federal food commodities			5,186
Advance funding	<u> </u>	<u> </u>	<u>277,130</u>
Totals	<u>\$ 4,484,790</u>	<u>\$ 4,248,168</u>	<u>\$ 282,316</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2020***NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS****Interfund Receivables and Payables**

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

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Special Revenue Funds	\$ 170,915	\$
Debt Service Fund		917
Capital Project Fund		121,491
	<u>170,915</u>	<u>122,408</u>
Special Revenue Funds:		
General Fund:		
ESEA Title I Part A Improving Basic Programs		36,741
IDEA Part B, Formula		28,622
IDEA Part B, Preschool		1,193
Title II, Part A		5,883
Title III, Part A		3,403
Head Start Program		12,638
Title V, Part B		18,182
Advanced Placement Incentive		2,391
Summer School LEP		5,362
Local Grant		6,565
Foundation Grant		49,935
	<u>-0-</u>	<u>170,915</u>
Debt Service:		
General Fund	<u>917</u>	
Capital Projects:		
General Fund	<u>121,491</u>	
	<u>\$ 293,323</u>	<u>\$ 293,323</u>

Interfund Transfers

Interfund transfers for the year ended August 31, 2020 consisted of the following individual fund transfer in and transfer out:

<u>Transferring Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>
Sweeny Education Foundation	General Fund	\$ 2,000
Sweeny Education Foundation	Special Revenue Fund	<u>2,984</u>
		<u>\$ 4,984</u>

The Board of Trustees approved these transfers, as transfers of operational funds to cover planned expenditures.

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2020***NOTE 5. CAPITAL ASSETS****Changes in Capital Assets and Accumulated Depreciation**

The following provides a summary of changes in capital assets and accumulated depreciation for the year ended August 31, 2020:

	Balance September 1, 2019	Additions	Retirements	Balance August 31, 2020
Non-Depreciated Capital Assets:				
Land	\$ 1,377,896	\$	\$	\$ 1,377,896
Construction in progress	<u>553,249</u>	<u>21,489,967</u>	<u>(46,587)</u>	<u>21,996,629</u>
Total non-depreciated	<u>1,931,145</u>	<u>21,489,967</u>	<u>(46,587)</u>	<u>23,374,525</u>
Depreciated Capital Assets:				
Buildings and improvements	98,649,592	210,767	(3,012,850)	95,847,509
Furniture, equipment & vehicles	<u>6,573,269</u>	<u>2,035,818</u>	<u>(316,402)</u>	<u>8,292,685</u>
Total depreciated	<u>105,222,861</u>	<u>2,246,585</u>	<u>(3,329,252)</u>	<u>104,140,194</u>
Total	<u>107,154,006</u>	<u>\$23,736,552</u>	<u>\$ (3,375,839)</u>	<u>127,514,719</u>
Accumulated Depreciated:				
Buildings and improvements	44,635,519	\$ 2,183,411	\$(2,298,047)	44,520,883
Furniture, equipment & vehicles	<u>4,078,836</u>	<u>604,298</u>	<u>(194,611)</u>	<u>4,488,523</u>
Total	<u>48,714,355</u>	<u>\$ 2,787,709</u>	<u>\$ (2,492,658)</u>	<u>49,009,406</u>
Net depreciated capital assets	<u>56,508,506</u>			<u>55,130,788</u>
Net capital assets	<u>\$58,439,651</u>			<u>\$ 78,505,313</u>

Depreciation Expense

In accordance with requirements of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, depreciation expense of the governmental activities was charged to functions as follows:

Data Control Codes	Function	Amount
0011	Instruction	\$ 1,223,611
0012	Instructional resources and media services	39,486
0021	Instructional leadership	24,950
0023	School leadership	43,047
0031	Guidance, counseling, and evaluation services	14,614
0033	Health services	20,195
0034	Student (pupil) transportation	136,938
0035	Food service	97,085
0036	Extracurricular activities	698,367

(Continued)

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 5. CAPITAL ASSETS (Continued)**Depreciation Expense (Continued)**

Data Control Codes	Function	Amount
0041	General administration	\$ 23,702
0051	Facilities maintenance and operations	389,499
0052	Security and monitoring services	32,051
0053	Data processing services	35,229
0061	Community services	<u>8,935</u>
	Total depreciation expense	<u>\$ 2,787,709</u>

Governmental Fund Construction Commitments

At August 31, 2020 the District had the following construction commitments:

Project	Project Authorization	Expended to Date	Commitment
HS CTE Renovation	\$ 5,946,626	\$ 5,408,127	\$ 538,499
Improvement at Elementary	8,096,881	7,199,684	897,197
Improvement at Jr. High School	7,246,216	6,303,374	942,842
Improvement at High School	<u>739,325</u>	<u>261,068</u>	<u>478,257</u>
	<u>\$ 22,029,048</u>	<u>\$ 19,172,253</u>	<u>\$ 2,856,795</u>

NOTE 6. LONG-TERM DEBT**Loans**

Short term debts are accounted for through the appropriate fund, and consist of notes made in accordance with the provisions of the Texas Education Code. This District was not a party to any loan transactions during the year ended August 31, 2020.

General Obligation Bonds

Long-term debt includes par bonds, capital appreciation (deep discount) serial bonds, contractual obligations and loans. Contractual obligations are issued at parity with general obligation bonds, but carry a secondary revenue stream pledge; however, all certificates of obligation are tax, not revenue, supported. This debt, unlike other tax-supported debt, can be issued without a vote of the citizens. Bond premiums and discounts, and gain and losses on refunding are amortized using the straight-line method.

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2020***NOTE 6. LONG-TERM DEBT (Continued)****General Obligation Bonds (Continued)**

The following is a summary of the District's general obligation bonded debt as of August 31, 2020:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>% Rates</u>	<u>Outstanding Balance 08-31-20</u>
2005 QZAB	\$ 750,000	2022	0.500	\$ 750,000
2012	9,205,870	2026	1.500-2.500	4,630,000
2014	9,685,000	2034	1.750-3.750	8,300,000
2015	9,500,000	2035	3.000-3.125	8,420,000
2016	8,430,000	2035	3.000	4,535,000
2017	4,410,000	2027	4.000	3,470,000
2019	16,775,000	2044	2.500-5.000	16,335,000
2020	<u>8,710,000</u>	2045	2.000-4.000	<u>8,710,000</u>
Total	<u>\$ 67,465,870</u>			<u>\$ 55,150,000</u>

Presented below is a summary of general obligation bond requirements to maturity:

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2021	\$ 3,510,000	\$ 1,711,033	\$ 5,221,033
2022	4,110,000	1,599,583	5,709,583
2023	3,345,000	1,502,058	4,847,058
2024	3,240,000	1,411,433	4,651,433
2025	2,910,000	1,325,158	4,235,158
2026-2030	12,070,000	5,276,577	17,346,577
2031-2035	11,050,000	3,232,885	14,282,885
2036-2040	8,260,000	1,673,788	9,933,788
2041-2045	<u>6,655,000</u>	<u>505,363</u>	<u>7,160,363</u>
Totals	<u>\$ 55,150,000</u>	<u>\$ 18,237,878</u>	<u>\$ 73,387,878</u>

Bond indebtedness of the District is recorded in the governmental activities statement of net position, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Proceeds of long-term issues are reflected as "Other Resources" in the operating statement of the recipient fund.

The District has entered into continuing disclosure undertaking to provide annual reports and material event notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of Sweeny Independent School District.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 6. LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

There are limitations and restrictions contained in the general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2020.

General Obligation bonds consist of 2005 Unlimited Tax School Building Bonds ("Qualified Zone Academy Bonds") bearing interest at 0.5%. During the year ended August 31, 2007, the District entered into a repurchase agreement for the 2005 Unlimited Tax School Building Bonds ("Qualified Zone Academy Bonds"). The 2005 QZAB bonds repurchase agreement calls for an annual payment of \$ 37,307 and will yield an interest rate of 2.95% with a maturity date of December 15, 2021 and an expected yield of \$ 750,000. Payments are due each December 15th. Presented below is a summary of the sinking fund requirements:

<u>Year Ended</u> <u>August 31</u>	<u>Annual</u> <u>Requirements</u>
2021	\$ 37,307
2022	<u>37,307</u>
Total Minimum Requirements	\$ <u><u>74,614</u></u>

During the year ended August 31, 2013, the District issued \$ 9,205,870 in Unlimited Tax Refunding Bonds - Series 2012, bearing interest at 1.500% to 2.500% with a maturity of 2026. These bonds were used to refund \$ 8,405,000 of the Unlimited Tax School Building Bonds - Series 2007.

During the year ended August 31, 2014, the District issued \$ 9,685,000 in Unlimited Tax School Building Bonds - Series 2014, bearing interest at 1.750% to 3.750% with a maturity of 2034.

During the year ended August 31, 2015, the District issued \$ 9,500,000 in Unlimited Tax School Building Bonds - Series 2015, bearing interest at 3.000% to 3.125% with a maturity of 2035 for the construction of facilities.

During the year ended August 31, 2016, the District issued \$ 8,430,000 in Unlimited Tax School Building - Series 2016, bearing interest at 3.000% with a maturity of 2035

During the year ended August 31, 2017, the District issued \$ 4,410,000 in Unlimited Tax Refunding Bonds - Series 2017, bearing interest at 4.000% with a maturity of 2027. These bonds were used to refund \$ 4,735,000 of Unlimited Tax School Building Bonds - Series 2008.

During the year ended August 31, 2019, the District issued \$ 16,775,000 in Unlimited Tax School Building Bonds - Series 2019, bearing interest at 2.5 to 5.0% with a maturity of 2044.

During the year ended August 31, 2020, the District issued \$ 8,710,000 in Unlimited Tax School Building Bonds - Series 2020, bearing interest at 2.0% to 4.0% with a maturity of 2045.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 6. LONG-TERM DEBT (Continued)

Defeased Debt

During the year ended August 31, 2013, the District issued \$ 9,205,870 in Unlimited Tax Refunding Bonds - Series 2012, for the refunding of previously issued Unlimited Tax School Building Bonds - Series 2007. The District placed the proceeds of the refunding, in the amount of \$ 9,389,893, in an escrow fund. The escrow fund is irrevocably pledged to the payment of principal and interest on the issue being refunded. The difference between the cash flow to service the old debt and that required to service the new debt and complete the refunding was a decrease of \$ 1,092,224. The economic gain resulting from the transaction was \$ 1,000,308. The balance of the escrow account and the bonds payable at August 31, 2020 was \$ 5,660,154 and \$ 5,180,000, respectively.

During the year ended August 31, 2018, the District initiated a partial defeasance, in the amount of \$ 530,000, of the previously issued Unlimited Tax Refunding Bonds - Series 2012. The District placed the \$ 553,562 of local funds in escrow for the payment of these bonds. The escrow fund is irrevocably pledged to the payment of principal and interest on the defeased fund. The difference between the cash flow to service the old debt and the amount of the escrow payment was \$ 8,900, the economic gain resulting from the transaction was \$ 8,900. The balance of the escrow account and the bonds payable at August 31, 2020 was \$ 532,840 and \$ 530,000.

Tax Notes

During the year ended August 31, 2016, the District issued \$ 2,000,000 in Maintenance Tax Notes - Tax Credit Qualified Energy Conservation Bonds (QECB) - Series 2015, bearing interest at 4.620% with a maturity of 2030. These notes are available through the U.S. Department of Energy Green Community Program. The Notes contain a tax credit that is available to the purchaser of the bonds.

The following is a summary of the District's tax notes as of August 31, 2020:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>% Rates</u>	<u>Outstanding Balance 08-31-20</u>
2015 QECB	<u>\$ 2,000,000</u>	2030	4.620	<u>\$ 1,330,000</u>

Presented below is a summary of tax notes requirements to maturity:

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2021	\$ 135,000	\$ 18,434	\$ 153,434
2022	135,000	16,563	151,563
2023	135,000	14,691	149,691
2024	135,000	12,821	147,821
2025	135,000	10,949	145,949
2026-2030	<u>655,000</u>	<u>27,096</u>	<u>682,096</u>
Totals	<u>\$ 1,330,000</u>	<u>\$ 100,554</u>	<u>\$ 1,430,554</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 6. LONG-TERM DEBT (Continued)

Notes Payable

During the year ended August 31, 2018, the District issued \$ 231,631 in notes bearing interest at 3.49% with a maturity of 2022. These notes are available through Public Property Finance Act Contract for installing energy efficiency project.

The following is a summary of the notes as of August 31, 2020:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>% Rates</u>	<u>Outstanding Balance 08-31-20</u>
2017	\$ <u>231,631</u>	2022	3.49	\$ <u>96,094</u>

Presented below is a summary of tax notes requirements to maturity:

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2021	\$ 47,223	\$ 3,354	\$ 50,577
2022	<u>48,871</u>	<u>1,705</u>	<u>50,576</u>
Totals	\$ <u>96,094</u>	\$ <u>5,059</u>	\$ <u>101,153</u>

Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended August 31, 2020, was as follows:

	<u>Balance 09-01-19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 08-31-20</u>	<u>Current Portion</u>
General obligation bonds	\$ 49,975,000	\$ 8,710,000	\$(3,535,000)	\$ 55,150,000	\$ 3,535,000
Tax Notes	1,465,000		(135,000)	1,330,000	135,000
Notes payable	141,724		(45,630)	96,094	45,630
Net pension liability	4,080,292	2,288,198	(2,177,101)	4,191,389	
Net OPEB liability	8,112,560	1,666,476	(1,562,012)	8,217,024	
Premium on general obligation bonds	<u>2,997,066</u>	<u>339,945</u>	<u>(207,723)</u>	<u>3,129,288</u>	<u>215,402</u>
Totals	\$ <u>66,771,642</u>	\$ <u>13,004,619</u>	\$(<u>7,662,466</u>)	\$ <u>72,113,795</u>	\$ <u>3,931,032</u>

SWEENY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 7. LEASES

Operating Leases

Commitments under operating lease (non-capital) agreements for copier and other equipment provides for minimum future rental payments as of August 31, 2020 as follows:

<u>Year Ended August 31</u>	<u>Amount</u>
2021	\$ 95,979
2022	95,979
2023	90,911
2024	<u>35,160</u>
Total minimum rentals	<u>\$ 318,029</u>

Rental expenditures on the above mentioned equipment for the year ended August 31, 2020 were \$ 94,641.

NOTE 8. DEFINED BENEFIT PENSION PLANS

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). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position

Detail 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 <https://trs.texas.gov/TRS%20Documents/cafr2019.pdf> , selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 8. DEFINED BENEFIT PENSION PLANS (Continued)

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 above. Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. In May, 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$ 2,000, whichever was less.

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

Contribution Rates

	<u>2019</u>	<u>2020</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer # 1202 - 2020 Employer Contributions	\$	287,409
Employer # 1202 - 2020 Member Contributions	\$	261,875
Employer # 1202 - 2020 NECE On-behalf Contributions	\$	781,801
Employer # 1202 - 2020 Medicare Part D Contributions	\$	68,154

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 8. DEFINED BENEFIT PENSION PLANS (Continued)

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

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

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to.

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 8. DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions

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

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2019	2.63%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Benefit changes during the year	None
Ad-hoc post-employment benefit changes	None

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

Discount Rate

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

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.25%. The long-term 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, 2019 are summarized below:

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 8. DEFINED BENEFIT PENSION PLANS (Continued)

Asset Class	FY 2019 Target Allocation*	New Target Allocation**	Long-Term Expected Geometric Real Rate of Return***
Global Equity:			
USA	18%	18%	6.4%
Non-U.S. Developed	13%	13%	6.3%
Emerging Markets	9%	9%	7.3%
Directional Hedge Funds	4%	-	-
Private Equity	13%	14%	8.4%
Stable Value:			
U.S. Treasuries****	11%	16%	3.1%
Stable Value Hedge Funds	4%	5%	4.5%
Absolute Return	-	-	-
Real Return:			
Global Inflation Linked Bonds****	3%	-	-
Real Estate	14%	15%	8.5%
Energy, Natural Resources and Infrastructure	5%	6%	7.3%
Commodities	-	-	-
Risk Parity:			
Risk Parity*****	5%	8%	5.8%/6.5%
Leverage:			
Cash	1%	2%	2.5%
Asset Allocation Leverage	-	-6.0%	2.7%
Expected Return	100%	100%	7.2%

* FY 2019 Target Allocation based on the Strategic Asset Allocation dated 10/1/2018.

** New target allocation based on Strategic Asset Allocation dated 10/1/2019.

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

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

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

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the Net pension liability	\$ 6,442,773	\$ 4,191,389	\$ 2,367,333

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 8. DEFINED BENEFIT PENSION PLANS (Continued)

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

At August 31, 2020, the District reported a liability of \$ 4,191,389 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 4,191,389
State's proportionate share that is associated with the District	<u>2,081,164</u>
Total	<u>\$ 6,272,553</u>

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

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.008063% which was an increase of 0.00065% from its proportion measured as of August 31, 2018.

Changes since the prior Actuarial Valuation

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

For the year ended August 31, 2020, the District recognized pension expense of \$ 1,428,569 and revenue of \$ 781,801 for support provided by the State.

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2020***NOTE 8. DEFINED BENEFIT PENSION PLANS (Continued)**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 17,608	\$ 145,532
Changes in actuarial assumptions	1,300,375	537,376
Net difference between projected and actual investment earnings	42,087	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	380,145	10,453
Contributions paid to TRS subsequent to the measurement date	<u>287,409</u>	<u> </u>
Total	<u>\$ 2,027,624</u>	<u>\$ 693,361</u>

\$ 287,409 reported as deferred outflows of resources relating from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending August 31, 2021. Other employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended August 31,</u>	<u>Pension Expense Amount</u>
2021	\$ 209,231
2022	170,698
2023	306,524
2024	273,959
2025	111,024
Thereafter	(24,582)

NOTE 9. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**Plan Description**

The 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 Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in a separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. The report may be obtained on the Internet at <http://www.trs.state.tx.us/amount/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 9. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Benefits Provided

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

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

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

TRS-Care Monthly Premium Rates

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

Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75 percent 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.

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2020***NOTE 9. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)**

<u>Contribution Rates</u>	<u>2019</u>	<u>2020</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Employer # 1202 - 2020 Employer Contributions		\$ 115,521
Employer # 1202 - 2020 Member Contributions		\$ 39,501
Employer # 1202 - 2020 NECE On-behalf Contributions		\$ 163,851

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

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

Actuarial Assumptions

The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. The TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The Post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

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

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

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 9. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate*	2.63%*
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases**	3.05% to 9.05%**
Healthcare Trend Rates***	4.50% to 10.25%***
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Ad hoc post-employment benefit changes	None

* As of August 31, 2019

** Includes Inflation at 2.30%

*** Initial trend rates are 7.50% for non-Medicare retirees; 10.25% for Medicare retirees and 10.25% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 13 years.

Discount Rate

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

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.63%)	Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District’s proportionate share of the Net OPEB Liability	\$ <u>9,920,584</u>	\$ <u>8,217,024</u>	\$ <u>6,884,326</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2020***NOTE 9. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At August 31, 2020, the District reported a liability of \$ 8,217,024 for its proportionate share of 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	\$ 8,217,024
State's proportionate share that is associated with the District	<u>4,688,551</u>
Total	<u>\$ 12,905,575</u>

The Net OPEB Liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019. At August 31, 2019, the employer's proportion of the collective net OPEB liability was 0.0173753657%, compared to 0.0162475685% as of August 31, 2018.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate is used.

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Current Single Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
District's proportionate share of the Net OPEB Liability	\$ <u>6,703,159</u>	\$ <u>8,217,024</u>	\$ <u>10,244,906</u>

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

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

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 9. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

- Change of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2020, the District recognized OPEB expense of \$ 642,125 and revenue of \$ 163,851 for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 403,115	\$ 1,344,629
Changes in actuarial assumptions	456,392	2,210,178
Net difference between projected and actual investment earnings	886	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,174,207	
Contributions paid to TRS subsequent to the measurement date	<u>115,521</u>	<u> </u>
Total	<u>\$ 2,150,121</u>	<u>\$ 3,554,807</u>

\$ 115,521 reported as deferred outflows of resources related to OPEB relating from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending August 31, 2021. Other amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended August 31,</u>	<u>OPEB Expense Amount</u>
2021	\$ (297,544)
2022	(297,544)
2023	(297,831)
2024	(297,995)
2025	(297,954)
Thereafter	(31,339)

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2020***NOTE 10. GENERAL FUND FEDERAL SOURCE REVENUES**

Following is a schedule of federal source revenue recorded in the General Fund.

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Total</u>
Direct Costs:		
School Health and Related Services (SHARS)	---	\$ 347,436
Federal Refuge Act	15.000	<u>35,130</u>
Total direct		<u>382,566</u>
Indirect Costs:		
School Breakfast Program	10.553	3,953
National School Lunch Program	10.555	11,220
Summer Food Service Program	10.559	3,481
ESSA, Title I, Part A, Improving Basic Programs	84.010A	3,994
IDEA, Part B, Formula	84.027	3,424
IDEA, Part B, Preschool	84.173	148
Career and Technical Education, Basic Grant	84.048	346
ESSA, Title II, Part A	84.367A	539
Title V, Part A	84.424	421
Texas Hurricane for Homeless Youth	84.938B	<u>223</u>
Total indirect		<u>27,749</u>
Total		<u>\$ 410,315</u>

NOTE 11. LOCAL AND INTERMEDIATE REVENUES

During the year ended August 31, 2020, local and intermediate revenues for governmental funds consisted of the following:

	<u>General Fund</u>	<u>Sweeny Educational Fund</u>	<u>Debt Service Foundation</u>	<u>Capital Projects Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property taxes	\$ 17,596,103	\$	\$ 4,467,002	\$	\$	\$ 22,063,105
Investment income	211,864	136,690	56,161	258,063		662,778
Food sales					250,738	250,738
Enterprising activities	1,842					1,842
Co-curricular income	54,807					54,807
Gifts and bequests	688,011	4,887			133,434	826,332
Other	<u>2,431,953</u>	<u></u>	<u></u>	<u></u>	<u></u>	<u>2,431,953</u>
Totals	<u>\$ 20,984,580</u>	<u>\$ 141,577</u>	<u>\$ 4,523,163</u>	<u>\$ 258,063</u>	<u>\$ 384,172</u>	<u>\$ 26,291,555</u>

\$ 2,431,953 other revenue mainly was the payments received for Chapter 313 Agreement (see Note 17).

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ended August 31, 2020, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

NOTE 13. RISK POOL PARTICIPATION

The District is a participant in the Texas Association of School Boards, Inc. (TASB) Risk Management for coverage of unemployment compensation and worker's compensation. The District pays annual premiums to the pool for coverage stated. The District participates in a pool and is not responsible for its own claims.

Auto, Liability, and/or Property Programs

During the year ended August 31, 2020, Sweeny ISD participated in the following TASB Risk Management Fund (the Fund) programs:

Auto Liability
Auto Physical Damage
Legal Liability
Privacy & Information Security

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

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

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

SWEENY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 13. RISK POOL PARTICIPATION (Continued)

Unemployment Compensation Pool

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2019 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Workers' Compensation Pool

During the year ended August 31, 2020, Sweeny ISD met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2019, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 14. LITIGATION AND CONTINGENCIES

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2020 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 15. JOINT VENTURED-SHARED SERVICE ARRANGEMENTS

The District participates in a Shared Services Arrangement (“SSA”) for the hearing impaired through the Brazoria-Fort Bend Cooperative with eleven other school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Fort Bend Independent School District, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Sweeny Independent School District. The fiscal manager is responsible for all financial activities of the shared services arrangement. The amount of state revenues and expenditures attributable to the District’s participation is not available. The District portion of cost covered by revenue received by the fiscal agent was \$ 12,300.

NOTE 16. INTERLOCAL AGREEMENT

During the year ended August 31, 2020, the Sweeny Independent School District (SISD) entered into an interlocal agreement with Brazosport Independent School District (BISD) for management and director services for SISD’s Child Nutrition Department. SISD agrees to supply necessary personnel including the Director position, equipment, supplies, food, and other costs to operate the Child Nutrition Department. BISD agrees to provide consulting services including a dietician for shared menu development along with training opportunities to allow for continuous improvement of the current program. As part of the agreement, BISD will review SISD’s current purchasing contracts and operating procedures and make recommendation for SISD’s administration and Board to consider. In an effort to maintain operational consistencies between the two Districts, SISD’s employees will be included in trainings held at BISD. The parties intend that BISD, in performing such services, shall act as an independent contractor. In consideration of the services above, SISD agrees to pay BISD \$ 10,000 annually. The effective commencement date of this Agreement shall be September 1, 2019 and shall continue until August 31, 2020

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

NOTE 17. TAX ABATEMENTS

The District enters into appraised value limitations with local businesses under the Texas Economic Development Act (Tax Code Chapter 313). Under the Act, an appraised value limitation is an agreement in which a taxpayer agrees to build or install property and create jobs in exchange for a 10-year limitation on the taxable property value for the District's maintenance and operations tax (M&O) purposes. The minimum limitation value varies by District. The application for a limitation on the appraised value for M&O purposes is submitted directly to the District and requires an application fee that is established by the District. To qualify for a tax credit, a separate application must be submitted to the District after property taxes for the last complete year of the qualifying time period are paid. The credit is for M&O taxes paid in excess of the limitation amount in each complete year of the qualifying time period. The District's tax collector must credit the overage in equal parts over the last seven years of the agreement, but the credit in each year may not exceed 50 percent of the total taxes paid on the qualified property during that year. Any eligible amount not credited during the seven-year period are to be credited over the following three years, but the amount credited in each year may not exceed the total taxes paid on the qualified property in that year. The following are brief descriptions of each agreement followed by a summary of the agreements as of August 31, 2020:

The District entered into an agreement with Chevron Phillips Chemical Company on December 31, 2013. In addition to the tax abatement, Chevron Phillips Chemical Company has committed to the payment in lieu of taxes program. The agreement and all supporting documentation was assigned Texas Comptroller Application No. 281.

The District entered into an agreement with Chevron Phillips Chemical Company on December 31, 2013. In addition to the tax abatement, Chevron Phillips Chemical Company has committed to the payment in lieu of taxes program. The agreement and all supporting documentation was assigned Texas Comptroller Application No. 283.

The District entered into an agreement with Phillips 66 Company on April 8, 2014. In addition to the tax abatement, Phillips 66 Company has committed to the payment in lieu of taxes program. The agreement and all supporting documentation was assigned Texas Comptroller Application No. 286.

The District entered into an agreement with Praxair, Inc. on April 20, 2017. In addition to the tax abatement, Praxair, Inc. has committed to the payment in lieu of taxes program. The agreement and all supporting documentation was assigned Texas Comptroller Application No. 1185.

The District entered into an agreement with Phillips 66 Company on July 9, 2019. In addition to the tax abatement, Phillips 66 Company has committed to the payment in lieu of taxes program. The agreement and all supporting documentation was assigned Texas Comptroller Application No. 1294.

The District entered into an agreement with Phillips 66 Company on July 9, 2019. In addition to the tax abatement, Phillips 66 Company has committed to the payment in lieu of taxes program. The agreement and all supporting documentation was assigned Texas Comptroller Application No. 1334.

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

NOTE 17. TAX ABATEMENTS (Continued)

Application Number	Project Value	Project's Value Limitation Amount	Amount of Applicant's M&O Taxes Paid	Amount of Applicant's M&O Taxes Reduced	Company Revenue Loss Payments to the District	Company PILOT Payment to District	Net Benefit to the District
281	\$ 691,095,740	\$ 30,000,000	\$ -0-	\$ 6,841,848	\$ 12,101	\$ 655,866	\$ 667,967
283	\$ 634,952,220	\$ 30,000,000	\$ -0-	\$ 6,286,027	\$ 12,188	\$ 641,489	\$ 653,677
286	\$ 316,739,800	\$ 30,000,000	\$ -0-	\$ 3,135,724	\$ 433,415	\$ 279,406	\$ 712,821
1185	\$ 7,500,000	\$	\$ 74,250	\$ -0-	\$ -0-	\$ 190,439	\$ 264,689
1294	\$	\$	\$	\$	\$	\$ 185,600	\$ 185,600
1334	\$	\$	\$	\$	\$	\$ 198,710	\$ 198,710
	<u>\$1,650,287,760</u>	<u>\$ 90,000,000</u>	<u>\$ 74,250</u>	<u>\$ 16,263,599</u>	<u>\$ 457,704</u>	<u>\$ 2,151,510</u>	<u>\$ 2,683,464</u>

NOTE 18. EVALUATION OF SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 17, 2020, the date which the financial statements were available to be issued.

NOTE 19. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended August 31, 2020, the District incurred expenditures in excess of appropriations within the following funds and functions:

Debt Service Fund:

Function 72 - Interest on Long-Term Debt \$ 73,703

REQUIRED SUPPLEMENTARY INFORMATION

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SWEENEY INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED AUGUST 31, 2020**

Exhibit G-1

Data Control Codes		General Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and intermediate sources	\$ 19,351,218	\$ 22,387,466	\$ 20,984,580	\$ (1,402,886)
5800	State program revenues	2,239,203	1,478,061	2,938,206	1,460,145
5900	Federal program revenues	<u>347,000</u>	<u>407,000</u>	<u>410,315</u>	<u>3,315</u>
5020	Total revenues	<u>21,937,421</u>	<u>24,272,527</u>	<u>24,333,101</u>	<u>60,574</u>
EXPENDITURES:					
Current:					
0011	Instruction	11,005,582	11,549,381	11,023,864	525,517
0012	Instructional resources and media services	340,620	390,635	332,183	58,452
0013	Curriculum and staff development	169,650	346,310	297,623	48,687
0021	Instructional leadership	427,835	530,945	494,898	36,047
0023	School leadership	1,203,007	1,234,002	1,201,243	32,759
0031	Guidance, counseling, and evaluation services	721,406	731,135	603,479	127,656
0032	Social work services	69,693	79,693	62,694	16,999
0033	Health services	268,859	443,454	298,084	145,370
0034	Student (pupil) transportation	982,809	1,015,594	579,708	435,886
0036	Extracurricular activities	985,048	984,730	866,268	118,462
0041	General administration	1,165,627	1,389,985	1,145,629	244,356
0051	Facilities maintenance and operations	2,787,426	2,878,166	2,382,068	496,098
0052	Security and monitoring services	233,958	322,802	192,643	130,159
0053	Data processing services	351,461	451,466	357,085	94,381
Debt Service:					
0071	Principal on long term debt	228,770	228,770	180,630	48,140
0072	Interest on long-term debt	26,000	26,000	25,651	349
Intergovernmental:					
0091	Contracted instructional services	1,903,216	2,003,216	1,290,858	712,358
0095	Payments to juvenile justice alternative education programs	1,500	1,500		1,500
0099	Other intergovernmental charges	<u>285,000</u>	<u>285,000</u>	<u>239,227</u>	<u>45,773</u>
6030	Total expenditures	<u>23,157,467</u>	<u>24,892,784</u>	<u>21,573,835</u>	<u>3,318,949</u>
1100	Excess (deficiency) of revenues over expenditures	(1,220,046)	(620,257)	2,759,266	3,379,523
OTHER FINANCING SOURCES:					
3014	Sale of real and personal property			49,386	49,386
7915	Transfers in			<u>2,000</u>	<u>2,000</u>
	Total other financing sources	<u>-0-</u>	<u>-0-</u>	<u>51,386</u>	<u>51,386</u>
1200	Net change in fund balances	(1,220,046)	(620,257)	2,810,652	3,430,909
0100	Fund balances - beginning	<u>14,478,564</u>	<u>14,478,564</u>	<u>14,478,564</u>	<u>-0-</u>
3000	Fund balances - ending	<u>\$ 13,258,518</u>	<u>\$ 13,858,307</u>	<u>\$ 17,289,216</u>	<u>\$ 3,430,909</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND
RELATED RATIOS - COST SHARING EMPLOYER PLAN
FOR THE LAST TEN MEASUREMENT YEARS ENDED AUGUST 31 (1)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net pension liability	0.0080630%	0.0074130%	0.0073115%	0.0068780%
District's proportionate share of the net pension liability	\$ 4,191,389	\$ 4,080,292	\$ 2,337,821	\$ 2,599,100
State's proportionate share of the net pension liability associated with the District	<u>2,081,164</u>	<u>2,079,486</u>	<u>1,211,381</u>	<u>1,370,723</u>
Total	<u>\$ 6,272,553</u>	<u>\$ 6,159,778</u>	<u>\$ 3,549,202</u>	<u>\$ 3,969,823</u>
District's covered payroll	\$ 13,133,849	\$ 12,895,433	\$ 12,776,402	\$ 12,061,878
District's proportionate share of the net pension liability as a percentage of its covered payroll	31.91%	31.64%	18.30%	21.55%
Plan fiduciary net position as a percentage of total pension liability	75.24%	73.74%	82.17%	78.00%

(1) This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

<u>2015</u>	<u>2014</u>
0.0063917%	0.00652320%
\$ 2,259,381	\$ 1,744,788
<u>1,214,358</u>	<u>1,053,704</u>
<u>\$ 3,473,739</u>	<u>\$ 2,798,492</u>
\$ 11,098,109	\$ 10,551,191
20.36%	16.54%
78.43%	83.25%

SWEENEY INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REQUIRED CONTRIBUTIONS - COST SHARING EMPLOYER PLAN
FOR THE LAST TEN YEARS ENDED AT AUGUST 31(1)*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 287,409	\$ 264,035	\$ 239,628	\$ 218,532
Contributions in relation to the contractually required contribution	<u>287,409</u>	<u>264,035</u>	<u>239,628</u>	<u>218,532</u>
Contribution deficiency (excess)	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>
District's covered payroll	\$ 14,598,723	\$ 13,133,849	\$ 12,895,433	\$ 12,776,402
Contributions as a percentage of covered payroll	1.97%	2.01%	1.86%	1.71%

(1) This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

<u>2016</u>	<u>2015</u>
\$ 189,261	\$ 165,605
<u>189,261</u>	<u>165,605</u>
\$ <u>-0-</u>	\$ <u>-0-</u>
\$ 12,061,878	\$ 11,098,109
1.57%	1.49%

SWEENEY INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND
RELATED RATIOS - COST SHARING EMPLOYER PLAN
FOR THE LAST TEN MEASUREMENT YEARS ENDED AUGUST 31(1)**

Exhibit G-4

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.0173753657%	0.0162475685%	0.0151015255%
District's proportionate share of the net OPEB liability	\$ 8,217,024	\$ 8,112,560	\$ 6,567,087
State's proportionate share of the net OPEB liability associated with the District	<u>4,688,551</u>	<u>4,658,670</u>	<u>3,837,885</u>
Total	<u>\$ 12,905,575</u>	<u>\$ 12,771,230</u>	<u>\$ 10,404,972</u>
District's covered payroll	\$ 13,133,849	\$ 12,895,433	\$ 12,776,402
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	62.56%	62.91%	51.40%
Plan fiduciary net position as a percentage of total OPEB liability	2.66%	1.57%	0.91%

(1) This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled, the District will present information for those years for which information is available.

SWEENEY INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF REQUIRED OPEB CONTRIBUTIONS - COST SHARING EMPLOYER PLAN
FOR THE LAST TEN YEARS ENDED AUGUST 31(1)**

Exhibit G-5

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 115,521	\$ 108,872	\$ 78,513
Contributions in relation to the contractually required contribution	<u>115,521</u>	<u>108,872</u>	<u>78,513</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered payroll	\$ 14,598,723	\$ 13,133,849	\$ 12,895,433
Contributions as a percentage of covered payroll	0.79%	0.83%	0.61%

(1) This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

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OTHER SUPPLEMENTARY INFORMATION

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

Data Control Codes		Special				
		205	211	224	225	226
		Head Start Program	ESEA Title I Part A Improving Basic Programs	IDEA Part B Formula	IDEA Part B Preschool	IDEA Part B Preschool Discretionary
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:						
Assets:						
1110	Cash and cash equivalents	\$	\$	\$	\$	\$
1240	Receivables from other governments		45,609	56,685	2,423	
1290	Other receivables	12,638				
1300	Inventories					
1410	Prepaid items					
1000	Total assets	<u>12,638</u>	<u>45,609</u>	<u>56,685</u>	<u>2,423</u>	<u>-0-</u>
Deferred Outflows of Resources:						
1700	Deferred outflows of resources					
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1000A	Total assets and deferred outflows of resources	<u>\$ 12,638</u>	<u>\$ 45,609</u>	<u>\$ 56,685</u>	<u>\$ 2,423</u>	<u>\$ -0-</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:						
Liabilities:						
2110	Accounts payable	\$	\$	\$ 6,682	\$	\$
2150	Payroll deductions and withholdings					
2160	Accrued wages payable		8,868	21,381	1,230	
2170	Due to other funds	12,638	36,741	28,622	1,193	
2180	Payable to other governments					
2300	Unearned revenue					
2000	Total liabilities	<u>12,638</u>	<u>45,609</u>	<u>56,685</u>	<u>2,423</u>	<u>-0-</u>
Deferred Inflows of Resources:						
2600	Deferred inflows of resources					
	Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:						
3410	Nonspendable - inventories					
3450	Restricted - grant funds					
3000	Total fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
4000	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,638</u>	<u>\$ 45,609</u>	<u>\$ 56,685</u>	<u>\$ 2,423</u>	<u>\$ -0-</u>

Revenue Funds

240 National School Lunch and Breakfast Program	244 Vocational Education Program	255 Title II Part A: Teacher and Principal Training and Recruitment	263 Title III Part A Language Education Program	270 Title V Part B	289 Summer School Language Education Program	397 Advanced Placement Incentives	410 Instructional Materials Allotment (IMA)
\$ 352,083 7,771 141 42,161	\$ 10,064 1,939	\$ 5,883	\$ 3,403	\$ 18,182	\$ 11,362	\$ 9	\$ 59,188 1,733
<u>402,156</u>	<u>12,003</u>	<u>5,883</u>	<u>3,403</u>	<u>18,182</u>	<u>11,362</u>	<u>9</u>	<u>60,921</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 402,156</u>	<u>\$ 12,003</u>	<u>\$ 5,883</u>	<u>\$ 3,403</u>	<u>\$ 18,182</u>	<u>\$ 11,362</u>	<u>\$ 9</u>	<u>\$ 60,921</u>
\$ 122,080 3,336 23,526					\$ 6,000		\$ 474
<u>24,880</u>	<u>12,003</u>	<u>5,883</u>	<u>3,403</u>	<u>18,182</u>	<u>5,362</u>		<u>60,447</u>
<u>173,822</u>	<u>12,003</u>	<u>5,883</u>	<u>3,403</u>	<u>18,182</u>	<u>11,362</u>	<u>-0-</u>	<u>60,921</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>42,161</u> <u>186,173</u>						<u>9</u>	
<u>228,334</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>9</u>	<u>-0-</u>
<u>\$ 402,156</u>	<u>\$ 12,003</u>	<u>\$ 5,883</u>	<u>\$ 3,403</u>	<u>\$ 18,182</u>	<u>\$ 11,362</u>	<u>\$ 9</u>	<u>\$ 60,921</u>

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

Data Control Codes		Special Revenue Funds				
		429	480	481	482	485
		Region 20	Local Grants	Security Grants	Technology Grants	Foundation Grants
	ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:					
	Assets:					
1110	Cash and cash equivalents	\$ 40,744	\$ 193,871	\$ 54	\$ 38,554	\$
1240	Receivables from other governments					
1290	Other receivables					
1300	Inventories					
1410	Prepaid items	<u>19,256</u>				<u>57,769</u>
1000	Total assets	<u>60,000</u>	<u>193,871</u>	<u>54</u>	<u>38,554</u>	<u>57,769</u>
	Deferred Outflows of Resources:					
1700	Deferred outflows of resources					
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1000A	Total assets and deferred outflows of resources	<u>\$ 60,000</u>	<u>\$ 193,871</u>	<u>\$ 54</u>	<u>\$ 38,554</u>	<u>\$ 57,769</u>
	LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
	Liabilities:					
2110	Accounts payable	\$ 34,316	\$ 27,939	\$	\$	\$
2150	Payroll deductions and withholdings		105			
2160	Accrued wages payable					
2170	Due to other funds	2,391	6,565			49,935
2180	Payable to other governments					
2300	Unearned revenue		<u>193,871</u>	<u>54</u>		
2000	Total liabilities	<u>36,707</u>	<u>228,480</u>	<u>54</u>	<u>-0-</u>	<u>49,935</u>
	Deferred Inflows of Resources:					
2600	Deferred inflows of resources					
	Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	Fund Balances:					
3410	Nonspendable - inventories					
3450	Restricted - grant funds	<u>23,293</u>	<u>(34,609)</u>		<u>38,554</u>	<u>7,834</u>
3000	Total fund balances	<u>23,293</u>	<u>(34,609)</u>	<u>-0-</u>	<u>38,554</u>	<u>7,834</u>
4000	Total liabilities, deferred inflows of resources and fund balances	<u>\$ 60,000</u>	<u>\$ 193,871</u>	<u>\$ 54</u>	<u>\$ 38,554</u>	<u>\$ 57,769</u>

Total
Non-major
Governmental
Funds

\$ 694,567
154,990
12,779
42,161
77,025

981,522

-0-

-0-

\$ 981,522

\$ 197,491
3,441
55,005
170,915
12,003
279,252

718,107

-0-

-0-

42,161
221,254

263,415

\$ 981,522

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

Data Control Codes		Special				
		205	211 ESEA Title I Part A	224	225	226
		Head Start Program	Improving Basic Programs	IDEA Part B Formula	IDEA Part B Preschool	IDEA Part B Preschool Discretionary
REVENUES:						
5700	Local and intermediate sources	\$	\$	\$	\$	\$
5800	State program revenues					
5900	Federal program revenues	<u>147,002</u>	<u>395,076</u>	<u>354,303</u>	<u>14,560</u>	<u>19,013</u>
5020	Total revenues	<u>147,002</u>	<u>395,076</u>	<u>354,303</u>	<u>14,560</u>	<u>19,013</u>
EXPENDITURES:						
Current:						
0011	Instruction	142,052	373,106	336,172	14,560	19,013
0013	Curriculum and staff development		2,069	1,580		
0021	Instructional leadership		13,796	2,856		
0031	Guidance, counseling and evaluation services			1,395		
0032	Social work services		6,105			
0035	Food services	4,950				
0036	Extracurricular activities					
0051	Plant maintenance and operations					
0052	Security and monitoring services					
0093	Payments related to shared service arrangements			12,300		
6030	Total expenditures	<u>147,002</u>	<u>395,076</u>	<u>354,303</u>	<u>14,560</u>	<u>19,013</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
OTHER FINANCING SOURCES:						
7915	Transfers in					
	Total other financing sources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1200	Net change in fund balances	-0-	-0-	-0-	-0-	-0-
0100	Fund balances - beginning					
3000	Fund balances - ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Revenue Funds

240 National School Lunch and Breakfast Program	244 Vocational Education Program	255 Title II Part A: Teacher and Principal Training and Recruitment	263 Title III Part A Language Education Program	270 Title V Part B	289 Summer School Language Education Program	397 Advanced Placement Incentives	410 Instructional Materials Allotment (IMA)
\$ 252,258	\$	\$	\$	\$	\$	\$	\$
27,582							213,666
<u>540,023</u>	<u>25,438</u>	<u>46,754</u>	<u>3,403</u>	<u>41,677</u>	<u>45,881</u>	<u>9</u>	
<u>819,863</u>	<u>25,438</u>	<u>46,754</u>	<u>3,403</u>	<u>41,677</u>	<u>45,881</u>	<u>9</u>	<u>213,666</u>
	22,019	38,951	2,618		8,736		213,666
	1,250	703	785	935			
		7,100		40,742	17,165		
					125		
982,274							
	2,169						
					9,500		
					10,355		
<u>982,274</u>	<u>25,438</u>	<u>46,754</u>	<u>3,403</u>	<u>41,677</u>	<u>45,881</u>	<u>-0-</u>	<u>213,666</u>
(162,411)	-0-	-0-	-0-	-0-	-0-	9	-0-
-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
(162,411)	-0-	-0-	-0-	-0-	-0-	9	-0-
<u>390,745</u>							
\$ <u>228,334</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>9</u>	\$ <u>-0-</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2020**

Exhibit H-2
Page 2 of 2

Data Control Codes		Special Revenue Funds				
		429	480	481	482	485
		Region 20	Local Grants	Security Grants	Technology Grants	Foundation Grants
	REVENUES:					
5700	Local and intermediate sources	\$	\$ 131,914	\$	\$	\$
5800	State program revenues	60,000				
5900	Federal program revenues					
5020	Total revenues	<u>60,000</u>	<u>131,914</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	EXPENDITURES:					
	Current:					
0011	Instruction	7,201	14,240			821
0013	Curriculum and staff development		2,933			
0021	Instructional leadership					
0031	Guidance, counseling, and evaluation services					
0032	Social work services					
0035	Food service		6,292			
0036	Extracurricular activities					26,930
0051	Plant maintenance and operations		136,388			8,022
0052	Security and monitoring services	29,506				
0093	Payments related to shared service arrangements					
6030	Total expenditures	<u>36,707</u>	<u>159,853</u>	<u>-0-</u>	<u>-0-</u>	<u>35,773</u>
1100	Excess (deficiency) of revenues over expenditures	<u>23,293</u>	<u>(27,939)</u>	<u>-0-</u>	<u>-0-</u>	<u>(35,773)</u>
	OTHER FINANCING SOURCES					
7915	Transfers in					2,984
	Total other financing sources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,984</u>
1200	Net change in fund balances	23,293	(27,939)	-0-	-0-	(32,789)
0100	Fund balances - beginning		(6,670)		38,554	40,623
3000	Fund balances - ending	<u>\$ 23,293</u>	<u>\$(34,609)</u>	<u>\$ -0-</u>	<u>\$ 38,554</u>	<u>\$ 7,834</u>

Total
Non-major
Governmental
Funds

\$ 384,172
301,257
1,633,130

2,318,559

1,193,155
10,255
81,659
1,520
6,105
993,516
29,099
153,910
39,861
12,300

2,521,380

(202,821)

2,984

2,984

(199,837)

463,252

\$ 263,415

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

Last Ten Years Ended August 31,	Tax Rates		Assessed/Appraised Value for School Tax Purposes	Beginning Balance September 1, 2019
	Maintenance	Debt Service		
2011 and prior	\$ 1.04000	\$ 0.17170	\$ --	\$ 152,117
2012	1.04000	0.17170	1,266,082,281	12,385
2013	1.04000	0.17170	1,273,678,303	15,756
2014	1.04000	0.17170	1,385,441,281	21,346
2015	1.04000	0.17170	1,416,575,225	24,386
2016	1.04000	0.17170	1,790,173,475	33,622
2017	1.04000	0.17170	2,066,708,096	66,260
2018	1.04000	0.17170	2,443,232,566	96,672
2019	1.06000	0.15170	1,724,863,250	184,587
2020 (School Year under Audit)	0.99000	0.15170	1,850,866,252	
1000 Totals				\$ <u>607,131</u>

Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance August 31, 2020
\$	\$ 8,437	\$ 1,193	\$(22,452)	\$ 120,035
	1,664	275	(3)	10,443
	2,245	371	(15)	13,125
	2,861	472	(92)	17,921
	(19,013)	(3,139)	(27,055)	19,483
	19,666	3,247	14,703	25,412
	27,348	4,515	13,552	47,949
	40,399	6,670	13,186	62,789
	79,512	11,379	(753)	92,943
<u>21,131,340</u>	<u>17,319,974</u>	<u>2,653,980</u>	<u>(976,730)</u>	<u>180,656</u>
<u>\$ 21,131,340</u>	<u>\$ 17,483,093</u>	<u>\$ 2,678,963</u>	<u>\$(985,659)</u>	<u>\$ 590,756</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - NONMAJOR FUND

Exhibit J-2

*- NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM SPECIAL REVENUE FUND
YEAR ENDED AUGUST 31, 2020*

Data Control Codes		National school breakfast and lunch program Special Revenue Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 402,000	\$ 402,000	\$ 252,258	\$ (149,742)
5800	State program revenues	21,500	21,500	27,582	6,082
5900	Federal program revenues	<u>775,033</u>	<u>775,033</u>	<u>540,023</u>	<u>(235,010)</u>
5020	Total revenues	<u>1,198,533</u>	<u>1,198,533</u>	<u>819,863</u>	<u>(378,670)</u>
	EXPENDITURES:				
	Current:				
0035	Food services	<u>1,208,387</u>	<u>1,318,755</u>	<u>982,274</u>	<u>336,481</u>
6030	Total expenditures	<u>1,208,387</u>	<u>1,318,755</u>	<u>982,274</u>	<u>336,481</u>
1100	Deficiency of revenues over expenditures	<u>(9,854)</u>	<u>(120,222)</u>	<u>(162,411)</u>	<u>(42,189)</u>
1200	Net change in fund balance	<u>(9,854)</u>	<u>(120,222)</u>	<u>(162,411)</u>	<u>(42,189)</u>
0100	Fund balances - beginning	<u>390,745</u>	<u>390,745</u>	<u>390,745</u>	<u>-0-</u>
3000	Fund balances - ending	<u>\$ 380,891</u>	<u>\$ 270,523</u>	<u>\$ 228,334</u>	<u>\$ (42,189)</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
YEAR ENDED AUGUST 31, 2020

Exhibit J-3

Data Control Codes		Debt Service Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 5,137,093	\$ 4,415,663	\$ 4,523,163	\$ 107,500
5800	State program revenues		721,430	737,477	16,047
5020	Total revenues	5,137,093	5,137,093	5,260,640	123,547
	EXPENDITURES:				
	Debt Service:				
0071	Principal on long-term debt	3,572,319	3,572,319	3,535,000	37,319
0072	Interest on long-term debt	1,562,894	1,562,894	1,636,597	(73,703)
0073	Bond issuance costs and fees	200,000	200,000	168,530	31,470
6030	Total expenditures	5,335,213	5,335,213	5,340,127	(4,914)
1100	Deficiency of revenues over expenditures	(198,120)	(198,120)	(79,487)	118,633
	OTHER FINANCING SOURCES:				
7916	Premium on issuance of bonds			249,945	249,945
	Total other financing sources	-0-	-0-	249,945	249,945
1200	Net change in fund balances	(198,120)	(198,120)	170,458	368,578
0100	Fund balances - beginning	2,756,761	2,756,761	2,756,761	-0-
3000	Fund balances - ending	\$ 2,558,641	\$ 2,558,641	\$ 2,927,219	\$ 368,578

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FEDERAL AWARDS SECTION

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Independent Auditor's Report
On Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*

To the Board of Trustees
Sweeny Independent School District
Sweeny, Texas 77480

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 Sweeny Independent School District (the "District"), as of and for year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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2801 N. Velasco, Suite C
Angleton, TX 77515
979-849-8297

Bay City
2245 Avenue G
Bay City, TX 77414
979-245-9236



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

KM&L, LLC

Lake Jackson, Texas
December 17, 2020



Independent Auditor's Report
On Compliance for Each Major Program and on Internal Control
over Compliance Required by the Uniform Guidance

To the Board of Trustees
Sweeny Independent School District
Sweeny, Texas 77480

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

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Bay City
2245 Avenue G
Bay City, TX 77414
979-245-9236



Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

KM&L, LLC

Lake Jackson, Texas
December 17, 2020

SWEENEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2020

I. Summary of auditors' results:

1. Type of auditor's report issued on the financial statements: Unmodified.
2. No internal control findings, required to be reported in this schedule, were disclosed in the audit of the financial statements.
3. Noncompliance, which is material to the financial statements: None.
4. No internal control findings, required to be reported in this schedule, were disclosed in the audit of major programs.
5. Type of auditor's report on compliance for major programs: Unmodified
6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR Sec. 200.516(a): No
7. Major programs include:
 - Title I, Part A, - CFDA #84.010A
8. Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000
9. Low risk auditee: Yes.

II. Findings related to the financial statements:

The audit disclosed no findings required to be reported.

III. Findings and questioned costs related to the federal awards.

The audit disclosed no findings required to be reported.



1310 N. Elm Street | Sweeny, Texas 77480

In accordance with Title 2 U.S. Code of Federal Regulations §200.511, the auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings. This summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit's schedule of findings and questioned costs
- All audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected.

The schedule of status of prior audit findings is as follows:

None.



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In accordance with Title 2 U.S. Code of Federal Regulations §200.511, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan must be presented to address each finding included in the current year auditor's reports. The corrective action plan is as follows:

None.

SWEENEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2020

Exhibit K-1
Page 1 of 2

(1)	(2)	(2A)	(3)
Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA, Title I, Part A, Improving Basic Programs	84.010A	20610101020906	\$ 369,125
ESEA, Title I, Part A, Improving Basic Programs	84.010A	21610101020906	<u>29,945</u>
			<u>399,070</u>
IDEA - Part B, Formula*	84.027A	196600010209066600	2,459
IDEA - Part B, Formula*	84.027A	206600010209066600	333,879
IDEA - Part B, Formula*	84.027A	216600010209066600	<u>21,389</u>
			<u>357,727</u>
IDEA - Part B, Preschool*	84.173A	206610010209066610	13,479
IDEA - Part B, Preschool*	84.173A	216610010209066610	<u>1,230</u>
			<u>14,709</u>
IDEA - Part B, High Cost*	84.027A	66001906	<u>19,013</u>
Carl D. Perkins Basic Formula	84.048A	20420006020906	<u>25,784</u>
Title II Part A, Supporting EF	84.367A	206945101020906	<u>47,293</u>
English Language Acquisition	84.365	6493SW	<u>3,403</u>
Title V, Part B	84.358B	20696001020906	<u>42,098</u>
Restart Hurricane Recovery	84.938A	18511701020906	<u>23,586</u>
Texas Hurricane Homeless Youth	84.938B	19513701020906	<u>164</u>
Title IV Part A, Subpart 1	84.424A	20680101020906	<u>22,354</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ <u>955,201</u>
<u>U.S. Department of Agriculture</u>			
Direct Program:			
Commodity Supplement Program**	10.555	---	\$ <u>5,242</u>
Passed Through State Department of Education:			
Summer Food Service Program for Children**	10.559	020906	90,010
School Breakfast Program**	10.553	71402001	111,931
National School Lunch Program**	10.555	71302001	<u>324,266</u>
			<u>526,207</u>
Child and Adult Care Food Program	10.558	---	<u>27,227</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ <u>558,676</u>
<u>U.S. Department of Health and Human Services</u>			
Passed Through Upbring Head Start Preschool			
Head Start	93.600	---	\$ <u>147,002</u>
TOTAL FEDERAL ASSISTANCE			\$ <u>1,660,879</u>

*IDEA Cluster Program

**National School Lunch Cluster Program

SWEENY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2020

Exhibit K-1
Page 2 of 2

Reconciliation:

Federal program revenues (Exhibit C-2)	\$ 2,043,445
Less Federal Revenue not included in the Schedule of Federal Awards:	
School Health and Related Services (SHARS)	(347,436)
Refuge Revenue in Lieu of Taxes	<u>(35,130)</u>
Total federal financial assistance (Schedule of Expenditures of Federal Awards).	<u>\$ 1,660,879</u>

See notes to supplemental Schedule of Expenditures of Federal Awards.

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

NOTE 1 - BASIS OF ACCOUNTING

The District accounts for all awards under federal programs in the General and certain special revenue funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current position.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e. both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally unused balances are returned to the grantor at the close of specified project periods.

Commodity Supplement (CFDA 10.555) received like kind goods and no grant revenue received was reported on the schedule for the monetary value of these goods. The monetary value of goods received was \$ 6,654, while the monetary value of goods used and recognized as income and expenditures was \$ 5,242.

NOTE 2 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 3 - FEDERAL INDIRECT RATE

The District does not use 10% de minimis cost rate as described in Section 200.414 of the Uniform Guidance.

SCHEDULE FOR ELECTRONIC FILING

SWEENEY INDEPENDENT SCHOOL DISTRICT

REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AUGUST 31, 2020

SCHEDULE L-1
 Page 1 of 2

Code	Questions	Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF 3	<p>Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.)</p> <p>Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.</p> <p>Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.</p>	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code, and other statutes, laws and rules that were in effect at the school district's fiscal year-end?	Yes

SWEENEY INDEPENDENT SCHOOL DISTRICT

REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AUGUST 30, 2020

SCHEDULE L-1
Page 2 of 2

<u>Code</u>	<u>Questions</u>	<u>Responses</u>
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in the government-wide financial statements at fiscal year-end.	\$ -0-

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