



Financial Statements
August 31, 2019

Brownwood Independent School District

Brownwood Independent School District

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CERTIFICATE OF BOARD

Brownwood Independent School District
Name of School District

Brown
County

025-902
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and approved _____ disapproved _____ for the year ended August 31, 2019, at a meeting of the Board of Trustees of such school district on the 13th day of January, 2020.

Signature of Board Secretary

Signature of Board President



Independent Auditor's Report

The Board of Trustees
Brownwood Independent School District
Brownwood, Texas

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 Brownwood Independent School District (the District) as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension plan schedules and OPEB plan schedules on pages 5 through 13 and 49 through 55 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 or 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 financial statements. The combining nonmajor fund financial statements and the TEA required schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements.

The combining nonmajor fund financial statements, the TEA required 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 nonmajor fund financial statements, the TEA required 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 10, 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, 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.

Eide Bailly LLP

Abilene, Texas
January 10, 2020

This section of Brownwood Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2019.

Financial Highlights

- The District's total combined net position was \$3,486,174.
- The District's total combined governmental fund balances at August 31, 2019 were \$7,415,286 compared to \$7,489,343 at August 31, 2018.
- During the year, the District's revenues of \$39,303,968 generated from taxes, state funding, and other revenues for governmental activities, were (\$74,057) less than the \$39,378,025 in expenditures. The general fund expenditures and other financing uses were more than revenues by \$315,549. The debt service fund revenues and other financial resources were more than expenditures by \$235,327.
- The total cost of the District's programs increased approximately 0.9% versus the prior year, due to increase in instruction and food service expenditures in 2019 versus 2018. The District's revenues decreased approximately 0.04% primarily due to a decrease in state revenues.
- In the general fund, the resources available for appropriation were approximately \$615,791 more than originally budgeted. The District received additional local funds and state payments over the budgeted amount. Expenditures were \$931,340 more than the original budget due to instruction which were amended through the year.

Overview of the Financial Statements

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplementary information that presents combining statements for nonmajor governmental funds and other TEA required schedules.

The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.

- The governmental fund statements present how general government services were financed in the short term as well as what remains for future spending.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. The Texas Education Agency also requires certain schedules be included as other supplementary information. The following summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Major Features of the District's Government-wide and Fund Financial Statements			
<i>Type of Statement</i>	Government-wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Instances in which the District is the trustee or agent for someone else's accounts
<i>Required financial statements</i>	Statement of net position	Balance sheet	Statement of fiduciary net position
	Statement of activities	Statement of revenues expenditures & changes in fund balances Statement of cash flows	Statement of changes in fiduciary net position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or 60 days thereafter, no capital assets included	All assets and liabilities, both short-term and long-term, the District's funds do not currently contain capital assets, although they can
<i>Type of in flow/out flow Information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during year or 60 days after the end of year, expenditures when goods or services have been received and payment is due during the year or 60 days thereafter	All revenues and expenses during year regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include:

- Governmental activities – Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes, state aid, and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law or by bond covenants.
- The Board of Trustees established other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on a subsequent page that explains the relationship (or differences) between them.

- Fiduciary funds – The District is the trustee, or fiduciary, for certain funds. The District 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 agency funds and are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

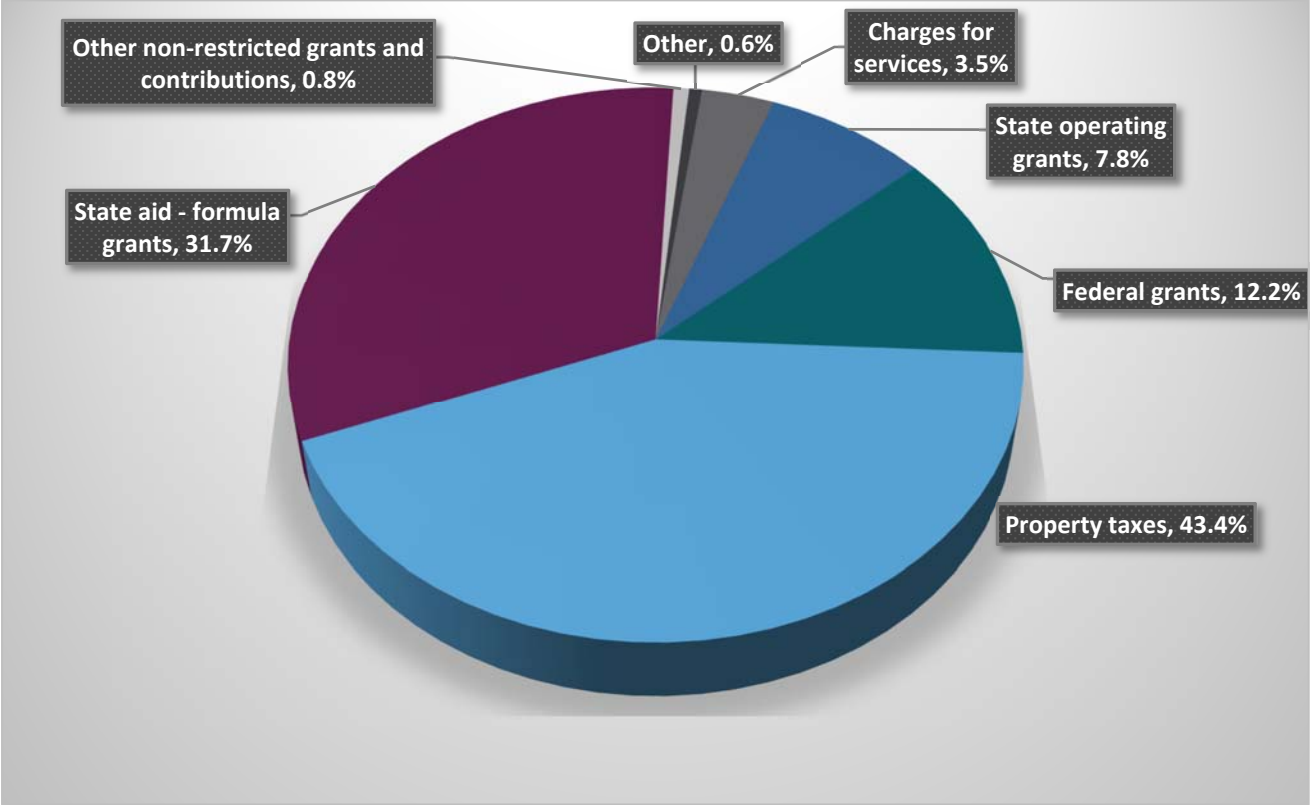
Financial Analysis of the District as a Whole

Net position. The District's combined net position was \$3,486,174 at August 31, 2019.

	Governmental Activities	
	2019	2018
	<u> </u>	<u> </u>
Current and other assets	\$ 9,220,758	\$ 10,008,020
Capital assets	38,590,215	39,762,768
Total assets	<u>47,810,973</u>	<u>49,770,788</u>
Deferred outflows of resources	<u>4,036,175</u>	<u>823,318</u>
Total assets and deferred outflows of resources	51,847,148	50,594,106
Current liabilities	1,722,399	2,092,563
Long-term liabilities	40,802,937	38,215,984
Total liabilities	<u>42,525,336</u>	<u>40,308,547</u>
Deferred inflows of resources	<u>5,835,638</u>	<u>6,513,434</u>
Total liabilities and deferred inflows of resources	48,360,974	46,821,981
Net investment in capital assets	15,618,161	15,070,512
Restricted for federal and state programs	208,979	213,056
Restricted for debt service	1,392,906	1,251,286
Unrestricted	<u>(13,733,872)</u>	<u>(12,762,729)</u>
Total net position	<u>\$ 3,486,174</u>	<u>\$ 3,772,125</u>

During the year, net position of the District's governmental activities decreased by \$285,951 to \$3,486,174. Unrestricted net position was (\$13,733,872) at the end of this year.

Changes in net position. The District's total fiscal year 2019 revenues, including extraordinary items, were \$40,191,722 at August 31, 2019. Approximately 43% of the District's revenue came from property taxes, 32% came from state allocations, and the remainder came from charges for services, federal and state grants, and miscellaneous other revenue (see the chart below).



The total cost of all programs and services was \$40,477,673 of which 56% was for direct instruction program costs compared to 55% in the previous year. The District's expenses cover a range of programs including instruction, counseling services, health services, student transportation, food services, plant maintenance and operations, and various other areas of service to students.

Brownwood Independent School District
Management's Discussion and Analysis
August 31, 2019

In total governmental activities decreased the District's net position by \$285,951. Key elements of this change are as follows:

	Governmental Activities	
	2019	2018
Revenues		
Program revenues		
Charges for services	\$ 1,402,141	\$ 1,280,983
State operating grants	3,150,446	5,789,963
Federal grants	4,925,705	4,747,287
General revenues		
Property taxes	17,416,098	16,602,213
State aid - formula grants	12,746,303	12,885,205
Other non-restricted grants and contributions	302,699	176,815
Other	248,330	312,347
Total revenues	40,191,722	41,794,813
Expenses		
Instruction	22,838,440	20,318,649
School leadership	1,798,074	1,666,673
Guidance counseling and evaluation services	1,220,845	985,898
Food services	2,067,625	1,760,341
Extracurricular activities	1,710,183	1,510,774
General administration	971,185	962,276
Facilities maintenance and operations	4,749,475	4,740,720
Debt service - interest on long-term debt	673,326	709,988
Other functions	4,448,520	4,236,289
Total expenses	40,477,673	36,891,608
Change in net position	(285,951)	4,903,205
Beginning net position	3,772,125	(1,131,080)
Ending net position	\$ 3,486,174	\$ 3,772,125

The following table presents the cost of each of the District's largest programs as well as each program's net cost (total cost less fees generated by program activities). The net cost shows the financial burden that was placed on the District's taxpayers and state aid funding by each of these functions.

- The cost of all governmental activities in 2019 was \$40,477,673 compared to \$36,891,608 in the previous year.
- The amount that our local taxpayers paid for these activities through property taxes was \$17,416,098 for the 2019 year and \$16,602,213 for the 2018 year.

	Total Cost of Services	Program Revenues	Net Cost
Instruction	\$ 22,838,440	\$ 5,596,857	\$ (17,241,583)
Facilities maintenance/Operations	4,749,475	267,167	(4,482,308)
Food service	2,067,625	1,913,860	(153,765)
School leadership	1,798,074	207,046	(1,591,028)
Extracurricular	1,710,183	357,019	(1,353,164)
Counseling	1,220,845	365,274	(855,571)
General administrative	971,185	58,551	(912,634)
Other programs	5,121,846	712,518	(4,409,328)
Total	\$ 40,477,673	\$ 9,478,292	\$ (30,999,381)

Financial Analysis of the District's Governmental Funds

Revenues from governmental fund types totaled \$39,303,968. Local revenues increased by \$1,339,171 from the prior year, primarily due to the increase in tax revenue. State revenue increased \$235,154 due to an increase in the Available Fund per CAP from prior year. Federal revenue increased \$182,069, primarily due to slight increases amongst variance federal funding.

Governmental Funds Budgetary Highlights

The original budget for the general fund reflected a balanced budget. Over the course of the year, the District amended its budget as needed; however, expenditures exceeded revenues and other uses by \$315,549 at August 31, 2019.

- Local funding increased \$315,000 from the original budget, state revenue and federal revenue remained the same from the original budget.

In the District's child nutrition program, the final amended budget reflected a balanced budget. Actual results were an increase of \$11,625 in fund balance. Actual revenues did not vary significantly from budgeted amounts.

In the District's debt service fund, there was an actual increase of revenues and other sources over expenditures and other uses of \$235,327 versus the original balanced budget. The increase was due to receiving additional state revenue.

Capital Assets

At the end of 2019, the District had invested \$86,102,940 in a broad range of capital assets, including land, buildings, furniture, and equipment. Accumulated depreciation on these assets was \$47,512,725 at year-end. The above included current-year capital asset additions of \$602,318.

	Governmental Activities	
	2019	2018
Land	\$ 384,828	\$ 333,870
Building and improvements	77,625,544	77,569,794
Furniture and equipment	8,092,568	7,596,958
Totals at historical costs	86,102,940	85,500,622
Less accumulated depreciation for		
Building and improvements	(41,122,815)	(39,646,238)
Furniture and equipment	(6,389,910)	(6,091,616)
Total accumulated depreciation	(47,512,725)	(45,737,854)
Net capital assets	\$ 38,590,215	\$ 39,762,768

Long-Term Debt

At the end of 2019, the District's long-term debt consisted of the following:

	Governmental Activities	
	2019	2018
Notes payable	\$ 182,630	\$ 269,248
Unlimited tax refunding bond series 2014	20,000,000	21,380,000
Unamortized premium on unlimited tax		
Refunding bond series 2014	1,835,924	2,002,826
Net pension liability	5,527,367	3,388,244
Net OPEB liability	13,257,016	11,175,666
Total bonds payable	\$ 40,802,937	\$ 38,215,984

At year-end the District had \$20,000,000 in bonds outstanding which represents a decrease of \$1,380,000 since last year, and the District had \$182,630 in notes outstanding which represents a decrease of \$86,618 since last year.

Economic Factors and Next Year's Budget and Rates

The local economy continues to be strong. The 2019-20 appraised property values increased by approximately 6.65%. House Bill 3 was passed during 2018-19 fiscal year which changed the state funding calculations, increasing Brownwood ISD's state funding. House Bill 3 also regulates the local tax rate for Maintenance and Operations, lowering the M&O tax collections.

The Maintenance and Operations (M&O) tax rate decreased to \$.97 per \$100 valuation for the 2019-2020 year. The Interest and Sinking (I&S) tax rate decreased by \$0.01 to \$0.1551 per \$100 valuation for the 2019-20 year.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Brownwood ISD Business Manager at 325-643-5644.

Brownwood Independent School District

Statement of Net Position (Exhibit A-1)

August 31, 2019

Data Control Codes		Governmental Activities
	Assets	
1110	Cash and cash equivalents	\$ 1,175,764
1120	Investments - current	6,471,690
1220	Property taxes receivable (delinquent)	693,728
1230	Allowance for uncollectible taxes	(521,824)
1240	Due from other governments	1,383,810
1410	Prepayments	17,590
	Capital assets	
1510	Land	384,828
1520	Building and improvements, net	36,502,729
1530	Furniture and equipment, net	1,702,658
1000	Total assets	<u>47,810,973</u>
	Deferred outflows of resources	
1705	Deferred outflows - pension	2,461,435
1706	Deferred outflows - OPEB	1,574,740
1700	Total deferred outflows of resources	<u>4,036,175</u>
	Liabilities	
2110	Accounts payable	564,246
2140	Interest payable	42,840
2160	Accrued wages payable	998,471
2300	Unearned revenues	116,842
	Noncurrent liabilities	
2501	Due within one year	1,531,460
2502	Due in more than one year	18,651,170
2516	Premium on issuance of bonds	1,835,924
2540	Net pension liability	5,527,367
2545	Net OPEB liability	13,257,016
2000	Total liabilities	<u>42,525,336</u>

Brownwood Independent School District

Statement of Net Position (Exhibit A-1)

August 31, 2019

Data Control Codes		Governmental Activities
	Deferred inflows of resources	
2601	Deferred gain on refunding	953,500
2605	Deferred inflows - pension	689,950
2606	Deferred inflows - OPEB	<u>4,192,188</u>
2600	Total deferred inflows of resources	<u>5,835,638</u>
	Net position	
3200	Net investment in capital assets	15,618,161
3820	Restricted for federal programs	208,979
3850	Restricted for debt service	1,392,906
3900	Unrestricted net position	<u>(13,733,872)</u>
3000	Total net position	<u>\$ 3,486,174</u>

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues	
			3 Charges for Services	4 Operating Grants and Contributions
	Governmental Activities			
11	Instruction	\$ 22,838,440	\$ 624,687	\$ 4,972,170
12	Instructional resources and media services	358,175	-	29,984
13	Curriculum and instructional staff development	173,100	-	90,141
21	Instructional leadership	590,041	-	51,000
23	School leadership	1,798,074	-	207,046
31	Guidance, counseling, and evaluation services	1,220,845	500	364,774
32	Social work services	241,345	-	227,772
33	Health services	297,906	549	72,261
34	Student transportation	900,810	-	-
35	Food services	2,067,625	462,031	1,451,829
36	Extracurricular activities	1,710,183	295,921	61,098
41	General administration	971,185	-	58,551
51	Facilities maintenance and operations	4,749,475	18,453	248,714
52	Security and monitoring services	151,482	-	69,109
53	Data processing services	1,210,975	-	108,549
72	Debt service - interest on long-term debt	673,326	-	63,153
73	Debt service - bond issuance costs and fees	1,599	-	-
99	Other intergovernmental charges	523,087	-	-
TG	Total governmental activities	<u>40,477,673</u>	<u>1,402,141</u>	<u>8,076,151</u>
TP	Total primary government	<u>\$ 40,477,673</u>	<u>\$ 1,402,141</u>	<u>\$ 8,076,151</u>
	General Revenues			
	Taxes			
MT	Property taxes, levied for general purposes			
DT	Property taxes, levied for debt service			
SF	State aid - formula grants			
GC	Grants and contributions not restricted			
IE	Investment earnings			
MI	Miscellaneous			
TR	Total general revenues			
CN	Change in net position			
NB	Net position - beginning			
NE	Net position - ending			

See Notes to Financial Statements.

Brownwood Independent School District

Statement of Activities (Exhibit B-1)

Year Ended August 31, 2019

5 Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
	6 Primary Gov. Governmental Activities	8 Total
\$ -	\$ (17,241,583)	\$ (17,241,583)
-	(328,191)	(328,191)
-	(82,959)	(82,959)
-	(539,041)	(539,041)
-	(1,591,028)	(1,591,028)
-	(855,571)	(855,571)
-	(13,573)	(13,573)
-	(225,096)	(225,096)
-	(900,810)	(900,810)
-	(153,765)	(153,765)
-	(1,353,164)	(1,353,164)
-	(912,634)	(912,634)
-	(4,482,308)	(4,482,308)
-	(82,373)	(82,373)
-	(1,102,426)	(1,102,426)
-	(610,173)	(610,173)
-	(1,599)	(1,599)
-	(523,087)	(523,087)
-	<u>(30,999,381)</u>	<u>(30,999,381)</u>
<u>\$ -</u>	<u>(30,999,381)</u>	<u>(30,999,381)</u>
	15,029,715	15,029,715
	2,386,383	2,386,383
	12,746,303	12,746,303
	302,699	302,699
	215,969	215,969
	32,361	32,361
	<u>30,713,430</u>	<u>30,713,430</u>
	(285,951)	(285,951)
	<u>3,772,125</u>	<u>3,772,125</u>
	<u>\$ 3,486,174</u>	<u>\$ 3,486,174</u>

Data Control Codes	10 General Fund	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	
Assets				
1110	Cash and cash equivalents	\$ 666,134	\$ -	\$ -
1120	Investments - current	5,031,454	-	-
1220	Property taxes - delinquent	598,687	-	-
1230	Allowance for uncollectible taxes (credit)	(450,334)	-	-
1240	Due from other governments	96,900	590,417	301,089
1260	Due from other funds	1,132,043	-	-
1000	Total assets	7,074,884	590,417	301,089
1000a	Total assets and deferred outflows of resources	\$7,074,884	\$ 590,417	\$ 301,089
Liabilities				
2110	Accounts payable	\$ 149,710	\$ -	\$ -
2160	Accrued wages payable	998,471	-	-
2170	Due to other funds	-	590,417	301,089
2300	Unearned revenues	58,061	-	-
2000	Total liabilities	1,206,242	590,417	301,089
Deferred inflows of resources				
2600	Unavailable revenue - property taxes	93,744	-	-
	Total deferred inflows of resources of resources	93,744	-	-
Fund balance				
3450	Restricted - federal or state funds grant	-	-	-
3480	Restricted - retirement of long-term debt	-	-	-
3545	Committed - other	-	-	-
3590	Assigned fund balance	50,273	-	-
3600	Unassigned fund balance	5,724,625	-	-
3000	Total fund balances	5,774,898	-	-
4000	Total liabilities, deferred inflows of resources and fund balances	\$7,074,884	\$ 590,417	\$ 301,089

See Notes to Financial Statements.

Brownwood Independent School District
 Balance Sheet – Governmental Funds (Exhibit C-1)
 August 31, 2019

50 Debt Service Fund	Nonmajor Governmental Funds	98 Total Governmental Funds
\$ -	\$ 509,630	\$ 1,175,764
1,440,236	-	6,471,690
95,041	-	693,728
(71,490)	-	(521,824)
-	395,404	1,383,810
-	-	1,132,043
<u>1,463,787</u>	<u>905,034</u>	<u>10,335,211</u>
<u>\$ 1,463,787</u>	<u>\$ 905,034</u>	<u>\$ 10,335,211</u>
\$ -	\$ 414,536	\$ 564,246
-	-	998,471
28,041	212,496	1,132,043
-	58,781	116,842
<u>28,041</u>	<u>685,813</u>	<u>2,811,602</u>
<u>14,579</u>	<u>-</u>	<u>108,323</u>
<u>14,579</u>	<u>-</u>	<u>108,323</u>
-	208,979	208,979
1,421,167	-	1,421,167
-	10,242	10,242
-	-	50,273
-	-	5,724,625
<u>1,421,167</u>	<u>219,221</u>	<u>7,415,286</u>
<u>\$ 1,463,787</u>	<u>\$ 905,034</u>	<u>\$ 10,335,211</u>

Brownwood Independent School District
 Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position (Exhibit C-1r)
 August 31, 2019

Total Fund Balances - Governmental Funds		\$ 7,415,286
Capital assets, net of accumulate depreciation, are not financial resources and therefore are not reported as assets in governmental funds.		38,590,215
Some liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds:		
Note payable	(182,630)	
Bonds payable	(20,000,000)	
Deferred gain on refunding	(953,500)	
Unamortized premiums on bonds payable	(1,835,924)	
Prepayments	17,590	(22,954,464)
Accrued interest is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		(42,840)
Certain assets are not available to pay for current period expenditures and therefore are deferred in the funds. These are:		
Deferred resource inflow for property taxes		108,323
The government-wide statements include the District's proportionate share of the TRS net pension liabilities and TRS-Care net OPEB liabilities, as well as certain pension and OPEB related transactions accounted for as deferred inflows and outflows of resources:		
Net pension liability	(5,527,367)	
Deferred outflows of resources - TRS pension	2,461,435	
Deferred inflows of resources - TRS pension	(689,950)	
Net OPEB liability	(13,257,016)	
Deferred outflows of resources - TRS-Care OPEB	1,574,740	
Deferred inflows of resources - TRS-Care OPEB	(4,192,188)	(19,630,346)
Net position of governmental activities - Statement of Net Position		\$ 3,486,174

Data Control Codes	10 General Fund	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
Revenues			
5700	Total local and intermediate sources	\$ 15,812,002	\$ -
5800	State program revenues	14,171,848	-
5900	Federal program revenues	703,342	743,257
5020	Total revenues	30,687,192	743,257
Expenditures			
Current			
0011	Instruction	17,784,786	1,158,330
0012	Instructional resources and media service	339,259	-
0013	Curriculum and instructional staff development	83,167	29,187
0021	Instructional leadership	554,348	358
0023	School leadership	1,638,985	1,792
0031	Guidance, counseling, and evaluation services	873,963	4,564
0032	Social work services	1,604	119,744
0033	Health services	237,063	-
0034	Student (pupil) transportation	1,012,853	-
0035	Food services	133,783	-
0036	Extracurricular activities	1,521,083	-
0041	General administration	883,917	-
0051	Facilities maintenance and operations	4,097,517	-
0052	Security and monitoring services	82,405	-
0053	Data processing services	1,142,555	-
Debt Service			
0071	Principal on long-term debt	86,618	-
0072	Interest on long-term debt	5,748	-
Intergovernmental			
0099	Other intergovernmental charges	523,087	-
6030	Total expenditures	31,002,741	743,257
1100	Excess (Deficiency of Revenues Over (Under) Expenditures	(315,549)	-
1200	Net Change in Fund Balances	(315,549)	-
0100	Fund Balance - September 1 (Beginning)	6,090,447	-
3000	Fund Balance - August 31 (Ending)	\$ 5,774,898	\$ -

See Notes to Financial Statements.

Brownwood Independent School District

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds (Exhibit C-2)

Year Ended August 31, 2019

50 Debt Service Fund	Other Funds	98 Total Governmental Funds
\$ 2,476,849	\$ 622,015	\$ 18,910,866
63,153	529,054	14,764,055
-	2,868,473	5,629,047
<u>2,540,002</u>	<u>4,019,542</u>	<u>39,303,968</u>
-	1,570,633	21,035,623
-	-	339,259
-	59,418	171,772
-	-	554,706
-	46,952	1,687,729
-	50,853	1,150,763
-	108,028	229,376
-	44,712	281,775
-	-	1,012,853
-	1,884,313	2,018,096
-	141,166	1,662,249
-	-	883,917
-	36,072	4,133,589
-	69,075	151,480
-	2,155	1,144,710
1,380,000	-	1,466,618
924,675	-	930,423
-	-	523,087
<u>2,304,675</u>	<u>4,013,377</u>	<u>39,378,025</u>
<u>235,327</u>	<u>6,165</u>	<u>(74,057)</u>
235,327	6,165	(74,057)
1,185,840	213,056	7,489,343
<u>\$ 1,421,167</u>	<u>\$ 219,221</u>	<u>\$ 7,415,286</u>

Brownwood Independent School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit C-2r) Year Ended August 31, 2019

Total Net Change in Fund Balances - Governmental Funds	\$ (74,057)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2019 capital outlays of \$602,318, and debt principal repayments of \$1,466,618 is to increase net position.	2,068,936
2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(1,774,871)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred tax revenue of \$108,323 as revenue and removing the prior year's tax collection of \$453,278.	(344,955)
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expense is reported when due. The current year change in the accrual is a decrease of \$3,513. The net effect is to increase net position.	3,513
Governmental funds report the effect of bond proceeds, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of including the amortization of bond premium of \$166,902, amortization of deferred gain on bond refunding of \$86,682, and amortization of prepaid insurance associated with bond issuance of \$1,599 is to increase net position.	251,985
Changes in the deferred outflows of resources, deferred inflows of resources and net pension liability must be recorded as expenses. Changes in contributions made after the measurement date caused the change in net position to increase in the amount of \$11,864. The District's share of the unrecognized deferred inflows and outflows for TRS as of the measurement date must be amortized and the District's proportionate share of the pension expense must be recognized. These cause the change in net position to decrease in the amount of \$224,808. The net effect is an decrease in net position.	(212,944)
Changes in the deferred outflows of resources, deferred inflows of resources and net OPEB liability must be recorded as expenses. Changes in contributions made after the measurement date caused the change in net position to increase in the amount of \$3,299. The District's share of the unrecognized deferred inflows and outflows for TRS as of the measurement date must be amortized and the District's proportionate share of the pension expense must be recognized. These cause the change in net position to decrease in the amount of \$206,857. The net effect is a decrease in net position.	(203,558)
Change in net position of governmental activities - Statement of Activities	<hr style="border: none; border-top: 1px solid black; margin-bottom: 2px;"/> <u>\$ (285,951)</u>

Brownwood Independent School District
Statement of Fiduciary Net Position – Fiduciary Funds (Exhibit E-1)
August 31, 2019

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 317,755
Total assets	<u>\$ 317,755</u>
Liabilities	
Due to student groups	\$ 317,755
Total liabilities	<u>\$ 317,755</u>

Note 1 - Reporting Entity

The Board of Trustees, a seven-member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the Brownwood Independent School District (the District). The public elects the members of the Board of Trustees. The Trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (TEA) or to the State Board of Education are reserved for the Trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. There are no component units included within the reporting entity. The basic financial statements of the District include all activities for which the Board exercises these governance responsibilities.

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

Note 2 - Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which 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 or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Note 3 - Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. 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 claims and judgments, are recorded only when payment is due.

Property taxes and penalties and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.

The *Debt Service Fund*, a governmental fund type, accounts for financial resources that are restricted, committed or assigned to expenditures for principal and interest on long-term debt of governmental activities.

The *ESEA I, A Improving Basic Program*, a governmental fund type, account for the proceeds of specific revenue sources that are restricted or committed to expenditure for the Title I, Part A federal program.

The *IDEA – Part B Formula*, a governmental fund type, account for the proceeds of specific revenue sources that are restricted or committed to expenditure for the IDEA, Part B federal program.

Additionally, the government reports the following fund types:

The *Special Revenue Funds*, a governmental fund type, account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District accounts for each federal and state grant in a separate special revenue fund.

Agency Funds, a fiduciary fund type, account for resources held for others in a custodial capacity.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 they are needed.

Note 4 - Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity**Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the District are reported at amortized cost. The State Treasurer's Investment Pool is operated in accordance with appropriate state laws and regulations.

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).

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

In the government-wide statements, property, plant and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & improvements	30 - 45
Furniture & equipment	5 - 20

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount.

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 debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

Deferred outflows/inflows of resources are separate elements of the financial statements. The District has deferred inflows of resources, which arises under the modified accrual basis of accounting, unavailable revenue from property taxes and for its proportionate share of TRS's deferred inflow related to pensions as described in Note 10 and its OPEB liability as described in Note 11. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District only has one deferred outflow of resources, for its proportionate share of TRS's deferred outflow related to pensions as described in Note 10 and for its proportionate share of TRS-Care's deferred outflow related to OPEB as described in Note 11.

Pensions

The fiduciary net position of the 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 Benefit

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 relating to other-post employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefits 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 5 - Fair Value Measurements

The District adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Note 6 - Stewardship, Compliance and Accountability**Budgetary Information**

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's Financial Accounting and Reporting module, 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 Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund and the Child Nutrition Special Revenue Program. The remaining special revenue funds adopt project-length budgets that do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting that is consistent with generally accepted accounting principles.

Note 7 - Detailed Notes on All Funds**Deposits and Investments**

Under Texas state law, the District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent, bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

The District's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The District's management believes that they complied with all significant requirements of the PFIA and the District's investment policies.

Custodial credit risk – deposits

At August 31, 2019, the District's deposits (cash, certificates of deposit and interest bearing savings accounts including temporary investments) were entirely covered by pledged collateral held by the District's agent bank in the District's name or by federal deposit insurance.

Investments

State statutes and Board policy authorize the District to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of state, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; 3) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 4) obligations of the state of Texas or its agencies; 5) other obligations guaranteed by the U.S. or the state of Texas or their agencies and instrumentalities; 6) fully collateralized repurchase agreements; and 7) public funds investment pools. Temporary investments are reported at cost that approximates market and the certificates of deposit are secured, when necessary, by the FDIC or obligations of items 1-3 above at 102% of the investment's market value. TexPool is a local government investment pool under the oversight of the Texas Comptroller of Public Accounts.

Concentration of Credit Risk

The District's investment policy is for the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity or specific issuer.

Interest Rate Risk

The District's investment policy states that any internally created pool fund group of the District shall have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District shall not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits.

Credit Risk

State law and District policy limit investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. TexPool is rated AAAM by Standard & Poor's.

The investments held at August 31, 2019, is shown below:

Name	Fair Value	Weighted Average Maturity (Days) *	Credit Rating
TexPool	\$ 6,471,690	36	AAAM
	<u>\$ 6,471,690</u>		

* To arrive at weighted average maturity, the maturity of floating rate and variable rate securities was deemed to be the final maturity of such securities.

TexPool

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the reported value of the pool is the same as the fair value of the pool shares. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the pool are available at First Public, 12008 Research Blvd., Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

Property Tax

In the fund financial statements, property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 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 January 31 of the year following the October 1 levy date. The assessed value of the property tax roll (net of exemptions) on January 1, 2018, upon which the levy for the August 31, 2019, fiscal year was based, was \$1,443,380,383. Taxes are delinquent if not paid by February 1. Delinquent taxes are subject to both penalty and interest charges plus delinquent collection fees for attorney costs.

Current tax collections for the year ended August 31, 2019 were 98.2% of the year-end adjusted tax 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, 2019, property taxes receivable, net of estimated uncollectible taxes, totaled \$171,904.

The tax rate to finance general governmental services was \$1.04 per \$100 for the year ended August 31, 2019, and a tax rate of \$0.16510 per \$100 was assessed to finance the payment of principal and interest on long-term obligations.

Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2019, are summarized below.

Fund	State Grants/ Entitlements	Federal Grants	Total
General fund	\$ 90,347	\$ 6,553	\$ 96,900
ESEA I, A Improving Basic Program	-	590,417	590,417
IDEA - Part B Formula	-	301,089	301,089
Nonmajor governmental funds	17,452	377,952	395,404
	\$ 107,799	\$ 1,276,011	\$ 1,383,810

Interfund Receivables, Payables and Transfers

In the fund financial statements, interfund balances are the results of normal transactions between funds and will be liquidated in the subsequent fiscal year.

Interfund balance at August 31, 2019, resulting from payroll and accumulated fund charges, consisted of the following individual fund balances:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 1,132,043	\$ -
Debt Service Fund	-	28,041
ESEA I, A Improving Basic Program	-	590,417
IDEA - Part B Formula	-	301,089
Nonmajor Governmental Funds	-	212,496
	\$ 1,132,043	\$ 1,132,043

Note 8 - Capital Assets

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

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not being depreciated				
Land	\$ 333,870	\$ 50,958	\$ -	\$ 384,828
Total capital assets, not being depreciated	<u>333,870</u>	<u>50,958</u>	<u>-</u>	<u>384,828</u>
Capital assets, being depreciated				
Building and improvements	77,569,794	55,750	-	77,625,544
Furniture and equipment	7,596,958	495,610	-	8,092,568
Total capital assets, being depreciated	<u>85,166,752</u>	<u>551,360</u>	<u>-</u>	<u>85,718,112</u>
Less accumulated depreciation for				
Building and improvements	(39,646,238)	(1,476,577)	-	(41,122,815)
Furniture and equipment	(6,091,616)	(298,294)	-	(6,389,910)
Total accumulated depreciation	<u>(45,737,854)</u>	<u>(1,774,871)</u>	<u>-</u>	<u>(47,512,725)</u>
Total capital assets, being depreciated (net)	<u>39,428,898</u>	<u>(1,223,511)</u>	<u>-</u>	<u>38,205,387</u>
Total capital assets (net)	<u>\$ 39,762,768</u>	<u>\$ (1,172,553)</u>	<u>\$ -</u>	<u>\$ 38,590,215</u>

Depreciation expense was charged to the District's functions as follows:

Instruction	\$ 671,520
Instructional resources and media services	2,932
Instructional leadership	2,244
School leadership	9,464
Guidance, counseling and evaluation services	1,129
Student (pupil) transportation	92,513
Food services	33,186
Cocurricular/extracurricular activities	132,496
General administration	71,321
Facilities maintenance and operations	749,746
Data processing services	8,320
Total depreciation expense - governmental activities	<u>\$ 1,774,871</u>

Note 9 - Long-Term Debt**Bonds Payable**

Bonded indebtedness of the District is reflected in the Government-Wide Statement of Net Position. In the Fund Financial Statements, the current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

Notes Payable

Notes payable owed by the District is reflected in the Government-Wide Statement of Net Position. In the Fund Financial Statements, the current requirements for principal and interest expenditures are accounted for in the General Fund.

A summary of the changes in bonds payable and other long-term debt follows:

	Interest Rate Payable	Amount of Original Issue	Amounts Outstanding 8/31/2018	Issued / Accretion	Refunded/ Retired	Amounts Outstanding 8/31/2019
Bonds payable						
Unlimited Tax Refunding						
Bonds Series 2014	2% - 5%	\$ 26,000,000	\$ 21,380,000	\$ -	\$ 1,380,000	\$ 20,000,000
Total bonds payable		<u>26,000,000</u>	<u>21,380,000</u>	<u>-</u>	<u>1,380,000</u>	<u>20,000,000</u>
Notes Payable						
Citizens bank	2.09%	449,300	269,248	-	86,618	182,630
Total notes payable		<u>449,300</u>	<u>269,248</u>	<u>-</u>	<u>86,618</u>	<u>182,630</u>
Total long-term debt		<u>\$ 26,449,300</u>	<u>\$ 21,649,248</u>	<u>\$ -</u>	<u>\$ 1,466,618</u>	<u>\$ 20,182,630</u>
		Amounts Outstanding 8/31/2018	Issued / Accretion	Refunded/ Retired	Amounts Outstanding 8/31/2019	
Unamortized premium		\$ 2,002,826	\$ -	\$ 166,902	\$ 1,835,924	
Net Pension Liability		3,388,244	2,629,997	490,874	5,527,367	
OPEB Liability		11,175,666	2,264,512	183,162	13,257,016	
Total other long-term debt		<u>\$ 16,566,736</u>	<u>\$ 4,894,509</u>	<u>\$ 840,938</u>	<u>\$ 20,620,307</u>	

Brownwood Independent School District

Notes to Financial Statements

August 31, 2019

The current portion of each bond at August 31, 2019 was as follows:

	<u>Due in 2020</u>
Unlimited Tax Refunding Bonds Series 2014	<u>\$ 1,440,000</u>
Citizens Bank	<u>91,460</u>
 Total	 <u><u>\$ 1,531,460</u></u>

Debt service requirements are as follows:

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2020	\$ 1,531,460	\$ 871,828	\$ 2,403,288
2021	1,606,170	796,052	2,402,222
2022	1,590,000	716,475	2,306,475
2023	1,660,000	643,525	2,303,525
2024	1,730,000	575,725	2,305,725
2025-2029	7,665,000	2,466,712	10,131,712
2030-2031	4,400,000	222,750	4,622,750
	<u><u>\$ 20,182,630</u></u>	<u><u>\$ 6,293,067</u></u>	<u><u>\$ 26,475,697</u></u>

The District designates a portion of its tax rate for debt service in order to comply with the ordinance to create from such tax revenues, a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due.

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2019.

Pension and OPEB liabilities are typically liquidated through contributions to TRS made by the following funds: General Fund, ESEA I – Improving Basic Programs, and IDEA – B Formula.

Note 10 - Defined Benefit Pension Plan

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

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS 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% (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.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85th Texas Legislature, GAA affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

	Contribution Rates	
	2018	2019
Member	7.70%	7.70%
Non-employer contributing entity (state)	6.80%	6.80%
Employers	6.80%	6.80%
Member contributions	\$ 1,569,547	\$ 1,584,332
NECE on-behalf contributions	1,051,926	1,117,094
Employer contributions	338,610	350,474

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old Age, Survivor and Disability Insurance Program (OASDI) 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.

Actuarial Assumptions

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

Valuation date	August 31, 2017 rolled forward to August 31, 2018
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Market Value
Single discount rate	6.907%
Long-term expected investment rate of return	7.25%
Municipal bond rate*	N/A*
Last year in the 2016 to 2115 projection period (100 Years)	2116
Inflation	2.30%
Salary increases, including inflation	3.05% to 9.05%
Ad hoc post-employment benefit changes	None

* If a municipal bond rate was to be used, the rate would be 3.69% as of August 2018 (i.e., the rate closest to but not later than the measurement date). The source for the rate is the Fixed Income Market Date/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

The actuarial methods and assumptions are primarily based on a study of actual experience for the three-year period ending August 31, 2017 and adopted on July 27, 2018.

Discount Rate

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best- estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below on the following page.

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2018

Asset Class	Target Allocation*	Long-term Expected Arithmetic Real Rate of Return**	Expected Contribution to Long-term Portfolio Returns
Global Equity			
U.S.	18.0%	5.7%	1.0%
Non-U.S. developed	13.0%	6.9%	0.9%
Emerging markets	9.0%	8.9%	0.8%
Directional hedge funds	4.0%	3.5%	0.1%
Private equity	13.0%	10.2%	1.3%
Stable Value			
U.S. treasuries	11.0%	1.1%	0.1%
Absolute return	0.0%	0.0%	0.0%
Stable value hedge funds	4.0%	3.1%	0.1%
Cash	1.0%	-0.3%	0.0%
Real Return			
Global inflation linked bonds	3.0%	1.7%	0.0%
Real assets	14.0%	5.2%	0.7%
Energy and natural resources	5.0%	7.5%	0.4%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk parity	5.0%	3.7%	0.2%
Inflation expectation	0.0%		2.3%
Volatility drag***	0.0%		-0.8%
Total	100.0%		7.2%

*Target allocation as based on FY2016 policy model.

**Capital Market assumptions come from Aon Hewitt (2017 Q4).

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

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the 2018 Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
Total TRS net pension liability	\$ 83,072,220,959	\$ 55,042,426,960	\$ 32,350,646,325
District's proportionate share of the net pension liability	8,342,123	5,527,367	3,248,656

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

At August 31, 2019, the District reported a liability of \$5,527,367 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	\$ 5,527,367
State's proportionate share that is associated with the District	<u>16,473,125</u>
Total	<u>\$ 22,000,492</u>

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

At August 31, 2018, the employer's proportion of the collective net pension liability was .0100420126% which was a decrease of .000555% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement date.

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

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

Brownwood Independent School District

Notes to Financial Statements

August 31, 2019

For the year ended August 31, 2019, the District recognized pension expense of \$1,630,400. Additionally, the District recognized revenue of \$1,007,573 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 34,453	\$ 135,620
Changes in actuarial assumptions	1,992,882	62,278
Difference between projected and actual investment earnings	-	104,878
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	83,626	387,174
Contributions paid to TRS subsequent to the measurement date	350,474	-
Total	\$ 2,461,435	\$ 689,950

\$350,474 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended August 31, 2020. The other net amounts of the employer’s balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31	Pension Expense Amount
2020	\$ 370,045
2021	149,340
2022	101,085
2023	286,829
2024	314,362
Thereafter	199,350
Total	\$ 1,421,011

Note 11 - Postemployment Health Benefits

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 the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-retirement benefit changes, including automatic COLAs. The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with and without Medicare coverage.

TRS-Plan Premium Rates
Effective January 1, 2018 - December 31, 2018

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

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 changed based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employee contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor:

	Contribution Rates	
	2018	2019
Active Employee	0.65%	0.65%
Non-employer contributing entity (state)	1.25%	1.25%
Employers	0.55%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Member contributions	\$ 132,494	\$ 133,742
NECE on-behalf contributions	126,450	131,012
Employer contributions	177,812	181,111

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the fiscal year 2018-19 biennium to continue to support the program. This was also received in fiscal year 2018 bringing the total appropriations received to fiscal year 2018 to \$394.6 million.

Actuarial Assumptions

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

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

Rates of mortality	General inflation
Rates of retirement	Wage inflation
Rates of termination	Expected payroll growth
Rates of disability incidence	

Additional Actuarial Methods and Assumptions

Valuation date	August 31, 2017 rolled forward to August 31, 2018
Actuarial cost method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate *	3.69%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age- adjusted claims costs.
Payroll Growth Rate	2.30%
Projected Salary Increases **	3.05% to 9.05%
Healthcare Trend Rates ***	4.50 % to 11.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

* Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.

** Includes inflation at 2.30%.

*** Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions on all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of ten years.

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of 0.27% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Discount Rate (3.69%)	1% Decrease in Discount Rate (4.69%)
Total TRS net OPEB liability	\$ 59,434,944,462	\$ 49,930,915,470	\$ 42,412,615,881
District's proportionate share of the net OPEB liability	15,780,404	13,257,016	11,260,854

Healthcare Cost Trend Rate Sensitivity Analysis

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 used:

	<u>1% Decrease in Discount Rate (7.5%)</u>	<u>Discount Rate (8.50%)</u>	<u>1% Increase in Discount Rate (9.50%)</u>
Total TRS net OPEB liability	\$ 41,468,438,436	\$ 49,930,915,470	\$ 61,076,180,591
District's proportionate share of the net OPEB liability	11,010,168	13,257,016	16,216,164

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

At August 31, 2019, the District reported a liability of \$13,257,016 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 13,257,016
State's proportionate share that is associated with the District	<u>16,081,012</u>
Total	<u><u>\$ 29,338,028</u></u>

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

At August 31, 2019, the District's proportion of the collective Net OPEB Liability was 0.0265507173%, which was an increase from 0.000851% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB Liability since the prior measurement period:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.

- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.

The following were changes in benefit terms since the prior measurement period:

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

For the year ended August 31, 2019, the District recognized OPEB expense of \$584,931 and revenue of \$221,862 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 703,501	\$ 209,215
Changes in actuarial assumptions	221,224	3,982,973
Difference between projected and actual investment earnings	2,318	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	466,586	-
Contributions paid to TRS subsequent to the measurement date	181,111	-
	<u>1,574,740</u>	<u>4,192,188</u>
Total	<u>\$ 1,574,740</u>	<u>\$ 4,192,188</u>

\$181,111 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ended August 31, 2020.

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

<u>Year Ended August 31</u>	<u>OPEB Expense Amount</u>
2020	\$ (463,721)
2021	(463,721)
2022	(463,721)
2023	(464,160)
2024	(464,410)
Thereafter	(478,826)
	<hr/>
Total	\$ (2,798,559)

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments have been recognized as equal revenues and expenditures by the District in the amount of \$77,339, \$77,678 and \$60,972 for the years ended August 31, 2019, 2018 and 2017, respectively.

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 2019, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Note 13 - Healthcare Coverage

During the year ended August 31, 2019, employees of the District were covered by TRS-ActiveCare, a statewide health care benefits program for active public education employees, authorized by House Bill 3343 by the 77th Texas Legislature. The program is administered by the Teacher Retirement System of Texas, with Blue Cross Blue Shield of Texas as the health plan administrator and Merck-Medco Managed Care as the pharmacy benefits manager. The District contributes \$367 per month per active employee to the plan, of which \$292 is paid by the District and \$75 is paid by the State of Texas. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to TRS-ActiveCare.

Note 14 - Contingencies

The District is not a party to any legal actions that are believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying basic financial statements for such contingencies.

The District participates in state and federal grant programs that 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, 2019, 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 basic financial statement for such contingencies.

Note 15 - Accumulated Unpaid Sick Leave Benefits

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability for vacation leave has been accrued in the accompanying financial statements. 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, a liability for unused sick leave has not been recorded in the accompanying financial statements.

Note 16 - Unearned Revenues

Unearned revenues in the fund financial statements at August 31, 2019 consisted of the following:

	General Fund	Other Governmental Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Ticket sales and other	\$ 58,061	\$ -	\$ 58,061
State revenue	-	397	397
Local revenue	-	58,384	58,384
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 58,061</u>	<u>\$ 58,781</u>	<u>\$ 116,842</u>

Brownwood Independent School District

Notes to Financial Statements

August 31, 2019

Note 17 - Revenues From Local and Intermediate Sources

For the year ended August 31, 2019, revenues from local and intermediate sources for governmental fund types consisted of the following:

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Property taxes	\$ 15,159,041	\$ 2,410,617	\$ -	\$ 17,569,658
Athletic activities	121,991	-	-	121,991
Food service	-	-	462,031	462,031
Rent	40,975	-	-	40,975
Investment income	176,370	39,599	-	215,969
Revenues from foundations, other non-profit organizations, gifts and bequests	-	-	3,813	3,813
Penalties, interest, and other tax related income	164,762	26,633	-	191,395
Other	148,863	-	156,171	305,034
Total	<u>\$ 15,812,002</u>	<u>\$ 2,476,849</u>	<u>\$ 622,015</u>	<u>\$ 18,910,866</u>

Note 18 - General Fund Federal Source Revenues

Revenues from federal sources, which are reported in the General Fund, consist of:

	CFDA	Total
School Health and Related Services	N/A	\$ 500,743
Indirect costs		
ESEA, Title I, Part A - Improving basic programs	84.010A	10,527
IDEA - Part B, Formula	84.027	3,149
IDEA - Part B Preschool	84.173	1,063
Career and technical - basic grant	84.048	1,193
ESEA, Title II, Part A - Teacher/principal training	84.367A	5,276
ESEA, Title VI, Part B - Rural and low income program	84.358B	2,341
Summer School LEP	84.389A	3,594
Child nutrition cluster	10.553 / 10.555 / 10.559	175,456
Total		<u>\$ 703,342</u>

Note 19 - Expenditures Exceeding Budget

The following expenditures exceeded budget amounts:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
0035 Food services	\$ 83,432	\$ 133,783	\$ (50,351)
Child Nutrition Fund			
0035 Food services	1,726,941	1,862,924	(135,983)

Note 20 - Fund Balance

The District classifies governmental fund balance in accordance with Government Accounting Standards Board (GASB) 54, Fund Balance Reporting and Governmental Fund Type Definitions:

Nonspendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted committed or assigned).

Restricted fund balance category includes amounts that can be spent for only the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Trustees (the District's highest level of decision-making authority). At August 31, 2019, the District has \$10,242 of fund balance committed for campus activity funds.

Assigned fund balance classification includes general fund amounts constrained for a specific purpose by the Board of Trustees or by an official who has been delegated by official Board action the authority to assign amounts. At August 31, 2019, the assigned fund balance for school leadership is \$50,273.

Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

Restricted Fund Balance

At August 31, 2019, the restricted fund balance is composed of the following:

Federal and state grants	\$ 208,979
Retirement of long-term debt	1,421,167
	<u>\$ 1,630,146</u>

Order of Fund Balance Spending Policy

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 is as follows: 1) Restricted; 2) Committed; 3) Assigned; and 4) Unassigned.

Minimum Fund Balance Policy

The District's financial goal is to have a sufficient balance in the operating fund with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The District shall strive to maintain a yearly fund balance in the general operating fund in which the total fund balance is 15-20% of the total operating expenditures.



Required Supplementary Information
August 31, 2019

Brownwood Independent School District

Brownwood Independent School District
 Budgetary Comparison Schedule – General Fund (Exhibit G-1)
 Year Ended August 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance with Final Budget Positive or (Negative)	
	Original	Final			
Revenues					
5700	Total local and intermediate sources	\$ 15,244,337	\$ 15,559,337	\$ 15,812,002	\$ 252,665
5800	State program revenues	14,057,064	14,057,064	14,171,848	114,784
5900	Federal program revenues	770,000	770,000	703,342	(66,658)
5020	Total revenues	<u>30,071,401</u>	<u>30,386,401</u>	<u>30,687,192</u>	<u>300,791</u>
Expenditures					
Current					
0011	Instruction	17,381,106	17,866,506	17,784,786	81,720
0012	Instructional resources and media services	309,794	360,150	339,259	20,891
0013	Curriculum and instructional staff development	77,472	87,472	83,167	4,305
0021	Instructional leadership	533,051	557,642	554,348	3,294
0023	School leadership	1,566,681	1,646,575	1,638,985	7,590
0031	Guidance, counseling, and evaluation services	827,018	884,260	873,963	10,297
0032	Social work services	1,607	1,607	1,604	3
0033	Health services	308,234	312,060	237,063	74,997
0034	Student (pupil) transportation	799,000	1,023,516	1,012,853	10,663
0035	Food services	78,841	83,432	133,783	(50,351)
0036	Extracurricular activities	1,407,638	1,522,404	1,521,083	1,321
0041	General administration	965,746	972,530	883,917	88,613
0051	Facilities maintenance and operations	3,930,996	4,163,897	4,097,517	66,380
0052	Security and monitoring services	111,400	111,400	82,405	28,995
0053	Data processing services	1,153,237	1,213,184	1,142,555	70,629
Debt Service					
0071	Principal payments	94,580	94,580	92,366	2,214
Intergovernmental					
0099	Other intergovernmental charges	525,000	525,000	523,087	1,913
6030	Total expenditures	<u>30,071,401</u>	<u>31,426,215</u>	<u>31,002,741</u>	<u>423,474</u>
1200	Net Change in Fund Balances	-	(1,039,814)	(315,549)	724,265
0100	Fund Balance - September 1 (Beginning)	<u>6,090,447</u>	<u>6,090,447</u>	<u>6,090,447</u>	-
3000	Fund Balance - August 31 (Ending)	<u>\$ 6,090,447</u>	<u>\$ 5,050,633</u>	<u>\$ 5,774,898</u>	<u>\$ 724,265</u>

Brownwood Independent School District

Schedule of District's Proportionate Share of the Net Pension Liability – Teacher Retirement System to Texas (Exhibit G-2)

August 31, 2019

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.010142%	0.010597%	0.010253%	0.011369%	0.011465%
District's proportionate share of net pension liability	\$ 5,527,367	\$ 3,388,244	\$ 3,874,352	\$ 4,018,649	\$ 3,062,353
State's proportionate share of the net pension liability associated with the district	16,473,125	9,497,948	11,718,632	11,349,693	10,270,179
	<u>\$ 22,000,492</u>	<u>\$ 12,886,192</u>	<u>\$ 15,592,984</u>	<u>\$ 15,368,342</u>	<u>\$ 13,332,532</u>
District's covered payroll	\$ 19,977,546	\$ 19,380,101	\$ 19,038,726	\$ 18,801,191	\$ 18,431,472
District's proportionate share of net pension liability as a percentage of its covered payroll	27.67%	17.48%	20.35%	21.37%	16.61%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%

Note: The information disclosed for each fiscal year is reported as of the measurement date of the net pension liability with is August 31 of the preceding fiscal year.

Note - Plan information was unavailable prior to 2015.

Brownwood Independent School District
Schedule of District's Contributions – Teacher Retirement System to Texas (Exhibit G-3)
August 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 350,474	\$ 338,610	\$ 347,297	\$ 325,755	\$ 290,661
Contribution in relation to the contractually required contribution	<u>350,474</u>	<u>338,610</u>	<u>347,297</u>	<u>325,755</u>	<u>286,048</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,613</u>
District's Covered Payroll	\$ 20,575,746	\$ 19,977,546	\$ 19,380,101	\$ 19,038,726	\$ 18,801,191
Contributions as a percentage of covered payroll	1.70%	1.69%	1.79%	1.71%	1.55%

Note: The information disclosed for each fiscal year is reported as of the District's fiscal year-end date.

Note: Plan information was unavailable prior to 2015.

Brownwood Independent School District
Schedule of Districts Proportionate Share of the Net OPEB Liability (Exhibit G-4)
August 31, 2019

	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.026550%	0.025699%
District's proportionate share of net OPEB liability	\$ 13,257,016	\$ 11,175,666
State's proportionate share of the net OPEB liability associated with the District	<u>16,081,012</u>	<u>13,874,209</u>
	<u>\$ 29,338,028</u>	<u>\$ 25,049,875</u>
District's covered-employee payroll	\$ 19,977,546	\$ 19,380,101
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	66.36%	57.67%
Plan fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%

Note: The information disclosed for each fiscal year is reported as of the measurement date of the net OPEB liability with is August 31 of the preceding fiscal year.

Note - Plan information was unavailable prior to 2018.

Brownwood Independent School District
Schedule of District's Contributions to the OPEB Plan (Exhibit G-5)
August 31, 2019

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 181,111	\$ 177,812
Contribution in relation to the contractually required contribution	<u>181,111</u>	<u>177,812</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 20,575,746	\$ 19,977,546
Contributions as a percentage of covered-employee payroll	0.88%	0.89%

Note: The information disclosed for each fiscal year is reported as of the District's fiscal year-end date.

Note: Plan information was unavailable prior to 2018.

Note 1 - Budget

Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund. The Texas Education Code requires the budget to be prepared not later than August 20 and adopted by August 31 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

The following procedures are followed in establishing the budgetary data reflected in the fund financial schedules:

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is formally approved and adopted by the Board.

Once a budget is approved, it can be amended by function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law. Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budget amounts are as amended by the Board. All budget appropriations lapse at year end.

Note 2 - Net Pension Liability – Teachers Retirement System

Changes of Benefit Terms

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

Changes in Size or Composition of the Population Covered by the Benefit Terms

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.

Changes in Assumptions

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.

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

Note 3 - OPEB

Changes of Benefit Terms

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

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.

Changes of Assumptions

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



Other Supplementary Information
August 31, 2019

Brownwood Independent School District

Data Control Codes	205 Head Start	225 IDEA - Part B Preschool
Assets		
1110 Cash and cash equivalents	\$ -	\$ -
1240 Receivables from other governments	<u>123,626</u>	<u>10,652</u>
1000 Total assets	<u><u>\$ 123,626</u></u>	<u><u>\$ 10,652</u></u>
Liabilities		
2110 Accounts payable	\$ 54,443	\$ -
2170 Due to other funds	69,183	10,652
2300 Unearned revenues	<u>-</u>	<u>-</u>
2000 Total liabilities	<u>123,626</u>	<u>10,652</u>
Fund balances		
3450 Restricted - Federal or state funds grant	-	-
3545 Committed - other	<u>-</u>	<u>-</u>
3000 Total fund balances	<u>-</u>	<u>-</u>
4000 Total liabilities, deferred inflows and fund balances	<u><u>\$ 123,626</u></u>	<u><u>\$ 10,652</u></u>

Brownwood Independent School District
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)
August 31, 2019

240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	270 ESEA VI, B Rural & Low Income
\$ 315,169 60,071	\$ - 9,868	\$ - 17,752	\$ - 66,339	\$ - 25,702
<u>\$ 375,240</u>	<u>\$ 9,868</u>	<u>\$ 17,752</u>	<u>\$ 66,339</u>	<u>\$ 25,702</u>
\$ 166,261 - -	\$ - 9,868 -	\$ - 17,737 15	\$ - 66,339 -	\$ - 25,702 -
<u>166,261</u>	<u>9,868</u>	<u>17,752</u>	<u>66,339</u>	<u>25,702</u>
208,979 -	- -	- -	- -	- -
<u>208,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 375,240</u>	<u>\$ 9,868</u>	<u>\$ 17,752</u>	<u>\$ 66,339</u>	<u>\$ 25,702</u>

Data Control Codes	272 Medicaid Admin. Claim MAC	289 Other Federal Special Revenue Funds
Assets		
1110	\$ -	\$ 4,676
1240	-	63,942
1000	<u>\$ -</u>	<u>\$ 68,618</u>
Liabilities		
2110	\$ -	\$ 68,618
2170	-	-
2300	-	-
2000	<u>-</u>	<u>68,618</u>
Fund balances		
3450	-	-
3545	-	-
3000	<u>-</u>	<u>-</u>
4000	<u>\$ -</u>	<u>\$ 68,618</u>

Brownwood Independent School District
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)
August 31, 2019

397 Advanced Placement Incentives	410 Textbook and Kindergarten Material	461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 174	\$ 107,762	\$ 55,743	\$ 26,106	\$ 509,630
-	17,452	-	-	395,404
<u>\$ 174</u>	<u>\$ 125,214</u>	<u>\$ 55,743</u>	<u>\$ 26,106</u>	<u>\$ 905,034</u>
\$ -	\$ 125,214	\$ -	\$ -	\$ 414,536
-	-	13,015	-	212,496
174	-	32,486	26,106	58,781
<u>174</u>	<u>125,214</u>	<u>45,501</u>	<u>26,106</u>	<u>685,813</u>
-	-	-	-	208,979
-	-	10,242	-	10,242
-	-	10,242	-	219,221
<u>\$ 174</u>	<u>\$ 125,214</u>	<u>\$ 55,743</u>	<u>\$ 26,106</u>	<u>\$ 905,034</u>

Data Control Codes	205 Head Start	225 IDEA - Part B Preschool
Revenues		
5700 Local and intermediate sources	\$ -	\$ -
5800 State program revenues	-	-
5900 Federal program revenues	<u>1,083,578</u>	<u>23,042</u>
5020 Total revenues	<u>1,083,578</u>	<u>23,042</u>
Expenditures		
Current		
0011 Instruction	891,237	23,042
0013 Curriculum and instructional staff development	1,289	-
0021 Instructional leadership	-	-
0023 School leadership	46,952	-
0031 Guidance, counseling and evaluation services	-	-
0032 Social work services	108,028	-
0033 Health services	-	-
0035 Food services	-	-
0036 Extracurricular activities	-	-
0051 Facilities maintenance and operations	36,072	-
0052 Security and monitor services	-	-
0053 Data processing services	-	-
6030 Total expenditures	<u>1,083,578</u>	<u>23,042</u>
1100 Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>
1200 Net change in fund balance	-	-
0100 Fund balance - September 1 (Beginning)	<u>-</u>	<u>-</u>
3000 Fund balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>

Brownwood Independent School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental
Funds (Exhibit H-2)
Year Ended August 31, 2019

240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	270 ESEA VI, B Rural & Low Income
\$ 462,031	\$ -	\$ -	\$ -	\$ -
12,330	-	-	-	-
1,400,188	21,389	49,487	114,386	50,746
<u>1,874,549</u>	<u>21,389</u>	<u>49,487</u>	<u>114,386</u>	<u>50,746</u>
-	-	49,487	54,102	995
-	-	-	58,129	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	49,751
-	-	-	-	-
1,862,924	21,389	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	2,155	-
<u>1,862,924</u>	<u>21,389</u>	<u>49,487</u>	<u>114,386</u>	<u>50,746</u>
<u>11,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
11,625	-	-	-	-
197,354	-	-	-	-
<u>\$ 208,979</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Data Control Codes		272 Medicaid Admin. Claim MAC	289 Other Federal Special Revenue Funds
	Revenues		
5700	Local and intermediate sources	\$ -	\$ -
5800	State program revenues	-	-
5900	Federal program revenues	44,163	81,494
		<u>44,163</u>	<u>81,494</u>
5020	Total revenues	<u>44,163</u>	<u>81,494</u>
	Expenditures		
	Current		
0011	Instruction	-	11,817
0013	Curriculum and instructional staff development	-	-
0021	Instructional leadership	-	-
0023	School leadership	-	-
0031	Guidance, counseling and evaluation services	-	602
0032	Social work services	-	-
0033	Health services	44,163	-
0035	Food services	-	-
0036	Extracurricular activities	-	-
0051	Facilities maintenance and operations	-	-
0052	Security and monitor services	-	69,075
0053	Data processing services	-	-
		<u>44,163</u>	<u>81,494</u>
6030	Total expenditures	<u>44,163</u>	<u>81,494</u>
1100	Excess (deficiency) of revenues over (under) expenditures	-	-
1200	Net change in fund balance	-	-
0100	Fund balance - September 1 (Beginning)	-	-
3000	Fund balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>

Brownwood Independent School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental
Funds (Exhibit H-2)
Year Ended August 31, 2019

397 Advanced Placement Incentives	410 Textbook and Kindergarten Material	461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 148,644	\$ 11,340	\$ 622,015
-	516,724	-	-	529,054
-	-	-	-	2,868,473
-	516,724	148,644	11,340	4,019,542
-	532,426	-	7,527	1,570,633
-	-	-	-	59,418
-	-	-	-	-
-	-	-	-	46,952
-	-	-	500	50,853
-	-	-	-	108,028
-	-	-	549	44,712
-	-	-	-	1,884,313
-	-	138,402	2,764	141,166
-	-	-	-	36,072
-	-	-	-	69,075
-	-	-	-	2,155
-	532,426	138,402	11,340	4,013,377
-	(15,702)	10,242	-	6,165
-	(15,702)	10,242	-	6,165
-	15,702	-	-	213,056
\$ -	\$ -	\$ 10,242	\$ -	\$ 219,221



Required TEA Schedules
August 31, 2019

Brownwood Independent School District

Last Ten Years Ended August 31	1	2	3
	Tax Rates		Assessed/ Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 (and prior years)	\$ 1.040000	\$ 0.278900	\$ 1,345,871,494
2011	1.040000	0.274700	1,414,688,667
2012	1.040000	0.253900	1,525,479,638
2013	1.040000	0.261600	1,546,271,967
2014	1.040000	0.264700	1,591,586,921
2015	1.040000	0.214700	1,261,417,790
2016	1.040000	0.175100	1,260,932,187
2017	1.040000	0.175100	1,323,038,927
2018	1.040000	0.175100	1,360,838,038
2019 (school year under audit)	1.040000	0.165100	1,443,380,383
1000 Totals			

Brownwood Independent School District
Schedule of Delinquent Taxes Receivable (Exhibit J-1)
Year Ended August 31, 2019

10	20	31	32	40	50
Beginning Balance September 1, 2018	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance August 31, 2019
\$ 125,599	\$ -	\$ 3,865	\$ 1,036	\$ (44,448)	\$ 76,250
21,642	-	1,419	375	(813)	19,035
26,607	-	1,321	323	(873)	24,090
34,572	-	1,498	377	(1,653)	31,044
32,688	-	3,166	806	(2,155)	26,561
52,089	-	8,225	1,698	(3,695)	38,471
70,191	-	21,402	3,603	(3,295)	41,891
216,898	-	119,110	20,054	(7,308)	70,426
378,138	-	201,894	33,992	(22,947)	119,305
<u>-</u>	<u>17,394,177</u>	<u>14,741,187</u>	<u>2,340,164</u>	<u>(66,171)</u>	<u>246,655</u>
<u>\$ 958,424</u>	<u>\$ 17,394,177</u>	<u>\$ 15,103,087</u>	<u>\$ 2,402,428</u>	<u>\$ (153,358)</u>	<u>\$ 693,728</u>

Brownwood Independent School District
 Budgetary Comparison Schedule – Child Nutrition Fund (Exhibit J-4)
 Year Ended August 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance with Final Budget Positive or (Negative)	
	Original	Final			
Revenues					
5700	Total local and intermediate sources	\$ 323,311	\$ 323,311	\$ 462,031	\$ 138,720
5800	State program revenues	10,000	10,000	12,330	2,330
5900	Federal program revenues	1,393,630	1,393,630	1,400,188	6,558
5020	Total revenues	1,726,941	1,726,941	1,874,549	147,608
Expenditures					
Current					
0035	Food services	1,726,941	1,726,941	1,862,924	(135,983)
6030	Total expenditures	1,726,941	1,726,941	1,862,924	(135,983)
1100	Excess (Deficiency) of revenues over (under) expenditures	-	-	11,625	11,625
1200	Net change in fund balances	-	-	11,625	11,625
0100	Fund balance - September 1 (Beginning)	197,354	197,354	197,354	-
3000	Fund balance - August 31 (Ending)	\$ 197,354	\$ 197,354	\$ 208,979	\$ 11,625

Brownwood Independent School District
 Budgetary Comparison Schedule – Debt Service Fund (Exhibit J-5)
 Year Ended August 31, 2019

Data Control Codes	Original	Final	Actual Amounts (GAAP BASIS)	Variance with Final Budget Positive or (Negative)
Revenues				
5700 Total local and intermediate sources	\$ 2,305,075	\$ 2,305,075	\$ 2,476,849	\$ 171,774
5800 State program revenues	-	-	63,153	63,153
5020 Total revenues	<u>2,305,075</u>	<u>2,305,075</u>	<u>2,540,002</u>	<u>234,927</u>
Expenditures				
Current				
0071 Principal on long-term debt	2,305,075	2,305,075	1,380,000	925,075
0072 Interest on long-term debt	-	-	924,675	(924,675)
6030 Total expenditures	<u>2,305,075</u>	<u>2,305,075</u>	<u>2,304,675</u>	<u>400</u>
1100 Excess (Deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>235,327</u>	<u>235,327</u>
1200 Net change in fund balances	-	-	235,327	235,327
0100 Fund balance - September 1 (Beginning)	<u>1,185,840</u>	<u>1,185,840</u>	<u>1,185,840</u>	<u>-</u>
3000 Fund balance - August 31 (Ending)	<u><u>\$ 1,185,840</u></u>	<u><u>\$ 1,185,840</u></u>	<u><u>\$ 1,421,167</u></u>	<u><u>\$ 235,327</u></u>



Federal Award Section
August 31, 2019

**Brownwood Independent School
District**



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

The Board of Trustees
Brownwood Independent School District
Brownwood, Texas

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brownwood Independent School District (the District) as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated January 10, 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2019-001 that we consider to be a material weakness.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2019-002.

Brownwood Independent School District's Response to Findings

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

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.



Abilene, Texas
January 10, 2020



Independent Auditor’s Report on Compliance for the Major Program; Report on Internal Control over Compliance Required by the Uniform Guidance

The Board of Trustees
Brownwood Independent School District
Brownwood, Texas

Report on Compliance for the Major Federal Program

We have audited Brownwood 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 the District’s major federal program for the year ended August 31, 2019. The District’s major federal program is 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 the District’s major federal program 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 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 the major federal program. However, our audit does not provide a legal determination of the District’s compliance.

Opinion on the 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 its major Federal program for the year ended August 31, 2019.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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



Abilene, Texas
January 10, 2020

Brownwood Independent School District
Schedule of Expenditures of Federal Awards (Exhibit K-1)
Year Ended August 31, 2019

(1) Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. Department of Education			
Passed through Texas Education Agency			
ESEA, Title I, Part A - Improving basic programs	84.010A	17610101025902	\$ 1,324,502
Special Education Cluster			
IDEA - Part B, Formula	84.027	176600010259026000	746,406
IDEA - Part B Preschool	84.173	176610010259026000	<u>24,105</u>
Total special education cluster			<u>770,511</u>
Career and technical - basic grant	84.048	17420006025902	50,680
Student Support and Academic Enrichment Program	84.424A	69551502	85,088
ESEA, Title II, Part A - Teacher/principal training	84.367A	17694501025902	119,662
ESEA, Title VI, Part B - Rural and low income program	84.358B	17696001025902	<u>53,087</u>
Total passed through Texas Education Agency			<u>2,403,530</u>
Total Department of Education			<u>2,403,530</u>
U.S. Department of Health and Human Services			
Passed through ESC Region 15			
Head Start	93.600	08CH7152/01	<u>1,083,578</u>
Total passed through ESC Region 15			<u>1,083,578</u>
Passed through Texas Education Agency			
Medicaid administrative claiming program - MAC	93.778		<u>44,163</u>
Total Medicaid Cluster			44,163
Total passed through Texas Education Agency			<u>44,163</u>
Total Department of Health and Human Services			<u>1,127,741</u>

Brownwood Independent School District
Schedule of Expenditures of Federal Awards (Exhibit K-1)
Year Ended August 31, 2019

(1) Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. Department of Agriculture			
Child Nutrition Cluster			
Passed through Texas Education Agency			
School breakfast program	10.553	71501501	430,422
National school lunch program - cash assistance *	10.555	71401501	1,002,942
Summer food service program for children	10.559	3001401	<u>21,389</u>
Total passed through Texas Education Agency			<u>1,454,753</u>
Passed through San Angelo Packing Co			
National school lunch program - noncash assistance *	10.555		<u>142,280</u>
Total passed through San Angelo Packing Co.			<u>142,280</u>
Total child nutrition cluster			<u>1,597,033</u>
Total Department of Agriculture			<u>1,597,033</u>
Total Expenditures of Federal Awards			<u><u>\$ 5,128,304</u></u>
* Total national school lunch program (CFDA 10.555)			\$ 1,145,222

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended August 31, 2019. 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 or changes in net position of the District.

Note 2 - Summary of Significant Accounting Policies

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal expenditures were accounted for in the General Fund and Special Revenue Funds, components of the Governmental Fund type. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant.

School Health and Related Services (SHARS) revenues are considered earned income at the local government level and thus are not included in the Schedule of Expenditures of Federal Awards. The following is a reconciliation of Federal Revenues on Exhibit C-2 to the Schedule of Expenditures of Federal Awards:

	Total
Federal Awards per Schedule of Expenditures of Federal Awards	\$ 5,128,304
School Health and Related Services (SHARS)	500,743
Total federal program revenues - Exhibit C-2	\$ 5,629,047

Note 3 - Indirect Cost

The District is not eligible to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance because the District has previously received a negotiated indirect cost rate for its federal awards.

Note 4 - Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed.

Section I - Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	Yes

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for each major program	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No
Identification of major programs:	
Child Nutrition Cluster: School breakfast program (10.553) National school lunch program (10.555) Summer food service (10.559)	
Dollar threshold used to distinguish between type A and type B federal programs	\$750,000
Auditee qualified as a low-risk auditee?	Yes

Section II – Financial Statement Findings

Finding 2019-001:	Financial Reporting
Type of Finding:	Material Weakness
Criteria or Specific Requirement:	Management of the District is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP). This includes the design, implementation, and maintenance of internal controls relevant to the fair presentation of the financial statements that are free from material misstatement in a timely manner.
Statement of Condition:	The District does not have an internal control system designed to provide for the preparation of the financial statements and related financial statement disclosures being audited. In conjunction with the completion of our audit, we were requested to draft the financial statements and accompanying notes to those financial statements. Additionally, we proposed various audit adjustments to the District's recorded balances, which if not detected by our auditing procedures, could have resulted in a material misstatement of the District's financial statements.
Cause:	The District does not prepare and has not developed an internal control system to provide for the preparation of the financial statements and related disclosures in accordance with GAAP.
Effect:	Although this circumstance is not unusual for an organization of its size, the preparation of financial statements and adjusting entries as part of the audit engagement may result in financial statements and related information included the financial statement disclosures not being available for management purposes as timely as it would be if prepared by District personnel. The need for the audit adjustments indicates the interim financial statements may not be materially correct, which may affect management and governance decisions made during the course of the year.
Recommendation:	Auditing standards require that auditors communicate this deficiency; however, the District prepares budgetary and other financial reports for Board review on a routine basis. It is the responsibility of management and those charged with governance to determine whether to accept the risk associated with this condition because of cost or other considerations.
View of Responsible Officials:	Management agrees with the finding. Refer to the Corrective Action Plan.

Finding 2019-002:	Actual Expenditures in Excess of Budget
Type of Finding:	Non-Compliance
Criteria or Specific Requirement:	State law requires that public school districts adopt a budget prior to expenditure of funds and make proper amendments when the original budget is insufficient.
Statement of Condition:	<p>For the General Fund, expenditures exceeded budget by \$50,351 for function 35, Food Service.</p> <p>For the Child Nutrition Fund, expenditures exceeded budget by \$135,983 for function 35, Food Service.</p> <p>These shortfalls are noted on Schedules G-1 and J-4 and in Footnote 19.</p>
Cause:	The District failed to update its budgeted expenditures for certain functional expenses as conditions warranted during the year to reflect actual events.
Effect:	Due to the failure to update budgeted expenditures, certain functions had actual expenditures in excess of the legally budgeted amounts.
Recommendations:	The District should update its procedures for monitoring actual and budgeted expenditures. The District should properly amend its budget to reflect actual events and needs as they occur.
View of Responsible Officials:	Management agrees with the finding. Refer to Corrective Action Plan.

Section III – Federal Award Findings and Questioned Costs

The audit disclosed no findings and questioned costs required to be reported.

Brownwood Independent School District
 Schedule of Required Responses to Selected School First Indicators (Exhibit L-1)
 August 31, 2019

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	Yes
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	Yes
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ -
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 5,527,367
SF13	Pension Expense (6147) at fiscal year-end.	\$ -

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and Corrective
Action Plan
August 31, 2019

Prepared by Management of
**Brownwood Independent School
District**

Brownwood Independent School District - Summary Schedule of Prior Audit Findings

None

Preparation of Financial Statements and Significant Audit Adjustment in Financial Statements

Finding 2019-001

Finding Summary: We requested Eide Bailly, LLP prepare the draft financial statements and accompanying notes to the financial statements. Additionally, EB proposed various audit adjustments that could have resulted in a material misstatement of our financial statements.

Responsible Individuals: Kati Burke, Director of Finance

Corrective Action Plan: It is not cost effective to have an internal control system designed to provide for the preparation of the financial statements and accompanying notes. We requested our auditors, Eide Bailly, LLP, to prepare the financial statements and accompanying notes to the financial statements as part of their annual audit. We have designated a member of management to review the drafted financial statements and accompanying notes, and we have reviewed with and agree with the adjustments proposed during the audit. The District has developed procedures to remedy the cause of the material audit adjustments as well.

Anticipated Completion Date: 2020 fiscal year

Actual Expenditures in Excess of Budget

Finding 2019-002

Finding Summary: For the General Fund, expenditures exceeded budget by \$50,429 for function 35, Food Service.

For the Child Nutrition Fund, expenditures exceeded budget by \$135,983 for function 35, Food Service.

Responsible Individuals: Kati Burke, Director of Finance

Corrective Action Plan: The District will review its budget amendment process for all functions during the 2019-2020 fiscal year whereby the District will make budget amendments in a timely manner to ensure the budget will cover expected costs.

Anticipated Completion Date: 2020 fiscal year