

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2021

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2021

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Certificate of Board	1
	Independent Auditor's Report	2
	Management's Discussion and Analysis.....	4
Basic Financial Statements		
	Government-wide Statements:	
A-1	Statement of Net Position	10
B-1	Statement of Activities	11
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	12 - 13
C-2	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	14
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balances.....	15 - 16
C-4	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
	Fiduciary Fund Financial Statements:	
E-1	Statement of Fiduciary Net Position.....	18
E-2	Statement Of Changes In Fiduciary Net Position	19
	Notes to the Financial Statements.....	20 - 39
Required Supplementary Information		
G-1	Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – General Fund.....	40
G-2	Schedule of the District's Proportionate Share of the Net Pension Liability – Teacher Retirement System.....	41 - 42
G-3	Schedule of District's Contributions – Teacher Retirement System	43 - 44
G-4	Schedule of District's Proportionate Share of the Net OPEB Liability – Teacher Retirement System.....	45
G-5	Schedule of District's OPEB Contributions – Teacher Retirement System	46
	Notes to Required Supplementary Information	47

Combining Statements

Nonmajor Governmental Funds:

H-1 Combining Balance Sheet 48 - 51
H-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances 52 - 55

Required TEA Schedules

J-1 Schedule of Delinquent Taxes Receivable 56 - 57
J-4 Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – Child Nutrition Program 58
J-5 Schedule of Revenues, Expenditures, and Changes in Fund balance
Budget and Actual – Debt Service Fund..... 59

Federal Awards Section

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..... 60 - 61
Independent Auditor’s Report on Compliance for Each Major Federal
Program and Report on Internal Control Over Compliance in
Accordance with the Uniform Guidance 62 - 63
K-1 Schedule of Expenditures of Federal Awards..... 64 - 65
Notes to Schedule of Expenditures of Federal Awards 66
Schedule of Findings and Questioned Costs 67
Schedule of Findings and Responses..... 68
Summary Schedule of Prior Audit Findings 69
Corrective Action Plan 70

CERTIFICATE OF THE 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 (check one) approved ___ disapproved for the year ended August 31, 2021, at a meeting of the board of trustees of such school district on the 10th day of January, 2022.



Signature of Board Secretary



Signature of Board President

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

THIS PAGE LEFT BLANK INTENTIONALLY

INDEPENDENT AUDITOR'S REPORT

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 as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the Brownwood Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Brownwood Independent School District's 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 opinion.

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 Brownwood Independent School District, as of August 31, 2021, 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.

Emphasis of Matter – Change in Accounting Principle

As described in the notes to the financial statements, in fiscal year 2021 the District adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities. Our opinion was not modified with respect to this matter.

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 and pension and OPEB information, as presented in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brownwood Independent School District's basic financial statements. The combining statements, required TEA schedules and the Schedule of Expenditures of Federal Awards, 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), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements, required TEA 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 statements, required TEA 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 our report dated January 10, 2022 on our consideration of Brownwood Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Brownwood Independent School District's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
January 10, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Brownwood Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2021. Please read it in conjunction with the independent auditor's report, and the District's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$3,790,982.
- The District's total combined governmental fund balances at August 31, 2021 were \$7,799,626 compared to \$5,696,044 at August 31, 2020.
- During the year, the District's revenues of \$43,638,507 generated from taxes, state funding, and other revenues for governmental activities, were \$2,308,343 more than the \$41,330,164 in expenditures. The general fund revenues exceeded expenditures by \$1,857,175. The debt service fund revenues and other financial resources were more than expenditures by \$40,651.
- The total cost of the District's programs decreased approximately 1.5% versus the prior year. The District's revenues increased approximately 8.5% due to the addition of new funding sources, increased state revenues, and increased property tax values outpacing a reduction in the tax rates.
- In the general fund, the resources available for appropriation were approximately \$203,954 less than originally budgeted. The District received less state revenues than the budgeted amount. Expenditures were \$2,299,905 less than the original budget due to various cost saving measures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee.

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

The combining statements for nonmajor funds are presented immediately following the required supplementary information and contain even more information about the District's individual funds. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that provides a budgetary schedule for the General Fund. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities. The analysis of the District's overall financial condition and operations begins with the statement of net position and statement of activities. Their primary objective is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows (inflows) of resources and liabilities while the Statement of Activities includes all the revenue and expenses generated by the District's operations during the year. These apply the accrual basis of accounting, which is the same method used by most private sector companies.

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

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

In the Statement of Net Position and the Statement of Activities, the District has one kind of activity:

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

Reporting the District's Most Significant Funds

Fund Financial Statements. The Fund financial statements begin on page 14 and provide detailed information about the most significant funds – not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under ESEA Title I from the U. S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District has two fund types - governmental and fiduciary.

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

Fiduciary Funds – The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these resources from the District's other financial statements because the District cannot use them to support its operations. The District is only responsible for holding the assets reported in these funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information. The required supplementary information includes budgetary comparison information and pension and other postemployment benefits (OPEB) information.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the district’s governmental activities. The District’s combined net position was \$3,790,982 at August 31, 2021.

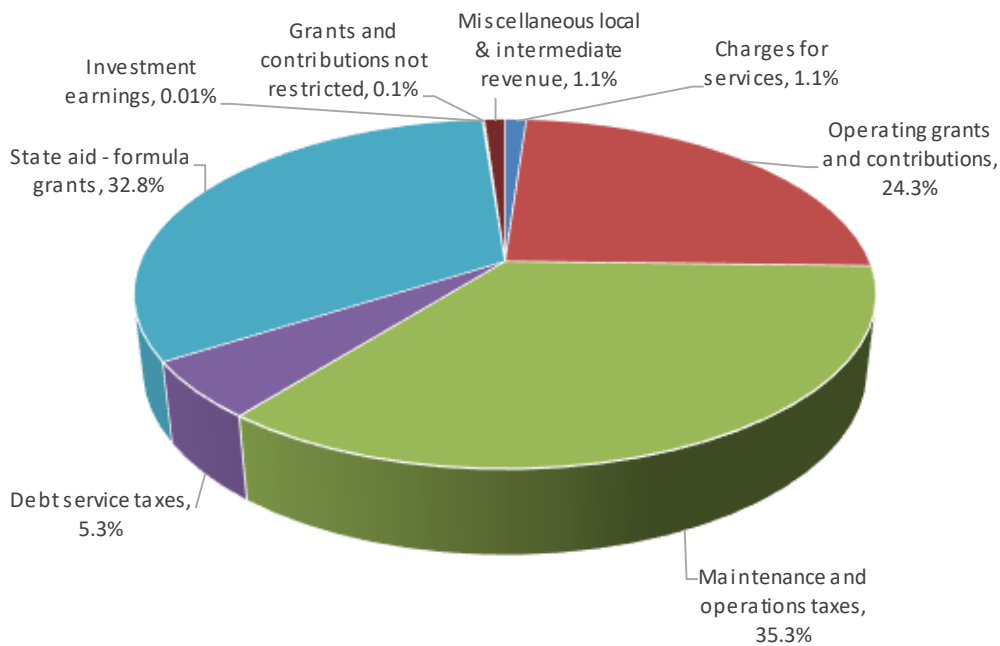
**TABLE 1
CONDENSED SCHEDULE OF NET POSITION**

	Governmental Activities	
	2021	2020
Assets:		
Current and other assets	\$ 10,702,947	\$ 8,859,233
Capital assets	<u>35,673,577</u>	<u>37,201,532</u>
Total assets	<u>46,376,524</u>	<u>46,060,765</u>
Deferred Outflows of Resources:	<u>5,881,855</u>	<u>4,258,496</u>
Liabilities:		
Long-term liabilities	35,886,346	37,950,743
Other liabilities	<u>2,782,435</u>	<u>3,067,134</u>
Total liabilities	<u>38,668,781</u>	<u>41,017,877</u>
Deferred Inflows of Resources:	<u>9,798,616</u>	<u>7,551,554</u>
Net position:		
Net investment in capital assets	16,346,321	16,013,664
Restricted	2,300,255	1,809,760
Unrestricted	<u>(14,855,594)</u>	<u>(16,073,594)</u>
Total net position	<u>\$ 3,790,982</u>	<u>\$ 1,749,830</u>

Changes in Net Position

During the year, net position of the District’s governmental activities increased by \$2,308,343 to \$3,790,982. Unrestricted net position was a deficit \$14,855,594 at the end of this year.

The District’s total fiscal year 2021 revenues were \$43,638,507 at August 31, 2021. Approximately 40.6% of the District’s revenue came from property taxes, 32.8% 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 \$41,330,164 of which 56.5% was for direct instruction program costs compared to 57.1% 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.

In total governmental activities increased the District's net position by \$2,308,343. Key elements of this change are as follows:

**TABLE 2
CHANGES IN NET POSITION**

	Governmental Activities	
	2021	2020
REVENUES		
Program revenues:		
Charges for services	\$ 485,133	\$ 1,278,136
Operating grants and contributions	10,606,503	7,272,379
General revenues:		
Maintenance and operations taxes	15,389,579	14,829,622
Debt service taxes	2,307,076	2,379,156
State aid - formula grants	14,334,773	14,132,998
Grants and contributions not restricted	40,161	63,112
Investment earnings	5,604	87,646
Miscellaneous local & intermediate revenue	<u>469,678</u>	<u>159,669</u>
Total revenues	<u>43,638,507</u>	<u>40,202,718</u>
EXPENSES		
Instruction	23,332,074	23,940,056
Instructional resources and media services	380,362	406,626
Curriculum and staff development	138,981	120,837
Instructional leadership	814,818	869,443
School leadership	1,809,343	1,762,333
Guidance, counseling, and evaluation services	1,397,289	1,471,419
Social work services	216,198	244,319
Health services	343,220	365,958
Student (pupil) transportation	882,131	714,534
Food service	1,777,639	1,749,346
Extracurricular activities	1,669,891	1,720,602
General administration	1,207,760	1,130,473
Facilities maintenance and operations	4,941,413	4,809,817
Security and monitoring services	100,940	190,240
Data processing services	1,244,895	1,293,555
Debt service - interest on long-term debt	537,756	613,847
Debt service - bond issuance cost and fees	-	1,599
Other intergovernmental charges	<u>535,454</u>	<u>534,058</u>
Total expenses	<u>41,330,164</u>	<u>41,939,062</u>
CHANGE IN NET POSITION	2,308,343	(1,736,344)
NET POSITION, BEGINNING	<u>1,749,830</u>	<u>3,486,174</u>
PRIOR PERIOD ADJUSTMENT	<u>(267,191)</u>	<u>-</u>
NET POSITION, ENDING	<u>\$ 3,790,982</u>	<u>\$ 1,749,830</u>

The above table presents the cost of each of the District's largest programs.

- The cost of all governmental activities in 2021 was \$41,330,164 compared to \$41,939,062 in the previous year.
- The amount that our local taxpayers paid for these activities through property taxes was \$17,696,655 for the 2021 year and \$17,208,778 for the 2020 year.

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

Revenues from governmental fund types totaled \$43,341,280. Local revenues increased by \$283,488 from the prior year, primarily due to the increase in tax revenue caused by growing property tax values. The District lowered its tax rates for fiscal year 2021. State revenue increased \$825,769 due to an increase in state entitlements from prior year. Federal revenue increased \$3,240,540, primarily due to the addition of new federal funding, including the Elementary and Secondary School Emergency Relief (ESSER) programs.

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, actual revenues exceeded expenditures by \$1,857,175 at August 31, 2021.

- State funding fell below budget by \$224,148.
- Instructional expenditures were less than budgeted by \$1,595,154.

In the District's child nutrition program, the final amended budget reflected a balanced budget. Actual results were an increase of \$440,852 in fund balance. Revenues were higher than expected due partially to additional unexpected federal grant revenues passed through the Texas Department of Agriculture.

In the District's debt service fund, there was an actual increase of revenues and other sources over expenditures and other uses of \$40,651 versus the original balanced budget. The increase was due to receiving additional state revenue.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the District had invested \$84,850,700 in a broad range of capital assets, including land, buildings, furniture, and equipment. Accumulated depreciation on these assets was \$49,177,123 at year-end. The above included current-year capital asset additions of \$241,465 in the furniture and equipment category.

	Governmental Activities	
	2021	2020
Land	\$ 384,828	\$ 384,828
Buildings and improvements	76,118,457	77,809,961
Furniture and equipment	8,347,415	8,288,682
Less depreciation	(49,177,123)	(49,281,939)
Totals	\$ <u>35,673,577</u>	\$ <u>37,201,532</u>

Long-term Liabilities

At the end of 2021, the District's long-term debt consisted of the following:

	Governmental Activities	
	2021	2020
Notes payable	\$ -	\$ 92,082
Unlimited Tax Refunding Bond, Series 201	17,045,000	18,560,000
Unamortized premium on Unlimited Tax Refunding Bond, Series 2014	<u>1,502,120</u>	<u>1,669,022</u>
Total bonds payable	\$ <u>18,547,120</u>	\$ <u>20,321,104</u>

At year-end the District had \$17,045,000 in bonds outstanding which represents a decrease of \$1,515,000 since last year.

The District also reported of net pension liability of \$7,840,672 and net OPEB liability of \$9,498,554 as presented in conjunction with GASB 68 and GASB 75, respectively.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The local economy remains strong as our community continues to deal with the challenges associated with the COVID-19 pandemic. The 2021-2022 appraised property values increased by approximately 5.9 %. Local Revenue is expected to increase slightly with the increase in property tax revenue even with a decrease in the M&O tax rate. HB 3 changed the state funding calculations a couple of years ago regulating the local tax rate for Maintenance and Operations. District enrollment increased slightly at the beginning of the 2021 – 2022 school year as students who had stayed home the previous year due to Covid returned to school. State funding is based on attendance rates resulting in an expected slight decrease as District continues to see multiple Covid related absences.

The Maintenance and Operations (M&O) tax rate decreased by \$0.0361 to \$.9369 per \$100 valuation for the 2021 – 2022 school year. The Interest and Sinking (I&S) tax rate decreased by \$0.01 to \$0.1385 per \$100 valuation for the 2021 - 2022 school 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 Assistant Superintendent of Business and Finance at 325-643-5644.

BASIC FINANCIAL STATEMENTS

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

EXHIBIT A-1

STATEMENT OF NET POSITION

AUGUST 31, 2021

Data Control Codes		Governmental Activities
ASSETS		
1110	Cash and cash equivalents	\$ 8,175,990
1220	Property taxes receivable (delinquent)	706,281
1230	Allowance for uncollectible taxes	(522,648)
1240	Due from other governments	2,341,753
1290	Other receivables	1,571
	Capital assets:	
1510	Land	384,828
1520	Buildings and improvements, net	33,708,571
1530	Furniture and equipment, net	<u>1,580,178</u>
1000	Total assets	<u>46,376,524</u>
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred outflows related to NPL	4,256,911
1706	Deferred outflows related to OPEB	<u>1,624,944</u>
1700	Total deferred outflows of resources	<u>5,881,855</u>
LIABILITIES		
2110	Accounts payable	217,119
2140	Interest payable	32,879
2150	Payroll withholdings and deductions	218,219
2160	Accrued wages payable	1,472,713
2200	Accrued expenses	129,380
2300	Unearned revenue	712,125
	Noncurrent liabilities:	
2501	Due within one year	1,590,000
2502	Due in more than one year	16,957,120
2540	Net pension liability	7,840,672
2545	Net OPEB liability	<u>9,498,554</u>
2000	Total liabilities	<u>38,668,781</u>
DEFERRED INFLOWS OF RESOURCES		
2601	Deferred gain on refunding	780,136
2605	Deferred inflows related to NPL	1,209,216
2606	Deferred inflows related to OPEB	<u>7,809,264</u>
2600	Total deferred inflows of resources	<u>9,798,616</u>
NET POSITION		
3200	Net investment in capital assets	16,346,321
	Restricted:	
3820	Restricted for federal and state programs	693,350
3850	Restricted for debt service	1,606,905
3900	Unrestricted	<u>(14,855,594)</u>
3000	Total net position	<u>\$ 3,790,982</u>

The accompanying notes are an integral part of this financial statement.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position 6
			3 Charges for Services	4 Operating Grants and Contributions	
					Primary Gov. Governmental Activities
Primary government:					
Governmental activities:					
11	Instruction	\$ 23,332,074	\$ 31,059	\$ 5,337,220	\$(17,963,795)
12	Instructional resources and media services	380,362	-	29,874	(350,488)
13	Curriculum and staff development	138,981	-	105,927	(33,054)
21	Instructional leadership	814,818	-	402,849	(411,969)
23	School leadership	1,809,343	-	163,739	(1,645,604)
31	Guidance, counseling, and evaluation services	1,397,289	-	555,587	(841,702)
32	Social work services	216,198	-	183,972	(32,226)
33	Health services	343,220	-	89,426	(253,794)
34	Student (pupil) transportation	882,131	-	1,290	(880,841)
35	Food service	1,777,639	263,752	1,842,398	328,511
36	Extracurricular activities	1,669,891	147,296	49,660	(1,472,935)
41	General administration	1,207,760	-	62,640	(1,145,120)
51	Facilities maintenance and operations	4,941,413	43,026	1,343,830	(3,554,557)
52	Security and monitoring services	100,940	-	204,306	103,366
53	Data processing services	1,244,895	-	187,156	(1,057,739)
72	Debt Service - interest on long-term debt	537,756	-	46,629	(491,127)
99	Other intergovernmental charges	<u>535,454</u>	<u>-</u>	<u>-</u>	<u>(535,454)</u>
TP	Total primary government	<u>\$ 41,330,164</u>	<u>\$ 485,133</u>	<u>\$ 10,606,503</u>	<u>\$(30,238,528)</u>
General revenues:					
Taxes:					
MT	Property taxes, levied for general purposes				15,389,579
DT	Property taxes, levied for debt service				2,307,076
SF	State aid - formula grants				14,334,773
GC	Grants and contributions not restricted				40,161
IE	Investment earnings				5,604
MI	Miscellaneous local and intermediate revenue				<u>469,678</u>
TR	Total general revenues				<u>32,546,871</u>
CN	Change in net position				2,308,343
NB	Net position, beginning				1,749,830
PA	Prior period adjustment				<u>(267,191)</u>
NE	Net position, ending				<u>\$ 3,790,982</u>

The accompanying notes are an integral part of this financial statement.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

AUGUST 31, 2021

Data Control Codes		10 General Fund	50 Debt Service	281 ESSER II
ASSETS				
1110	Cash and cash equivalents	\$ 5,520,559	\$ 1,754,879	\$ -
1220	Property taxes - delinquent	608,917	97,364	-
1230	Allowance for uncollectible taxes	(450,599)	(72,049)	-
1240	Due from other governments	-	-	1,397,890
1260	Due from other funds	2,170,043	-	-
1290	Other receivables	-	-	-
1000	Total assets	<u>7,848,920</u>	<u>1,780,194</u>	<u>1,397,890</u>
LIABILITIES				
2110	Accounts payable	16,627	-	-
2150	Payroll withholdings and deductions	218,219	-	-
2160	Accrued wages payable	1,333,638	-	4,181
2170	Due to other funds	1,879	130,000	1,393,366
2200	Accrued expenses	107,081	-	343
2300	Unearned revenue	673,257	9,259	-
2000	Total liabilities	<u>2,350,701</u>	<u>139,259</u>	<u>1,397,890</u>
DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable revenue - property taxes	132,568	21,197	-
2600	Total deferred inflows of resources	<u>132,568</u>	<u>21,197</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	Federal or state funds grant restriction	-	-	-
3480	Retirement of long-term debt	-	1,619,738	-
3545	Committed for campus activity	-	-	-
3600	Unassigned fund balance	5,365,651	-	-
3000	Total fund balances	<u>5,365,651</u>	<u>1,619,738</u>	<u>-</u>
4000	Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,848,920</u>	<u>\$ 1,780,194</u>	<u>\$ 1,397,890</u>

Other Funds	Total Governmental Funds
\$ 900,552	\$ 8,175,990
-	706,281
-	(522,648)
943,863	2,341,753
1,879	2,171,922
1,571	1,571
<u>1,847,865</u>	<u>12,874,869</u>
200,492	217,119
-	218,219
134,894	1,472,713
646,677	2,171,922
21,956	129,380
29,609	712,125
<u>1,033,628</u>	<u>4,921,478</u>
-	153,765
-	153,765
693,350	693,350
-	1,619,738
120,887	120,887
-	5,365,651
<u>814,237</u>	<u>7,799,626</u>
\$ <u>1,847,865</u>	\$ <u>12,874,869</u>

THIS PAGE LEFT BLANK INTENTIONALLY

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION

FOR THE YEAR ENDED AUGUST 31, 2021

Total fund balances - governmental funds	\$ 7,799,626
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	35,673,577
2 Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Losses on refunding of bonds and the premium on issuance of bonds payable are netted against the long-term liabilities in the statement of net position.	(19,360,135)
3 Included in the items related to debt is the recognition of the District's proportion share of the net pension liability required by GASB 68. The net position related to TRS included:	
Deferred inflows of resources - NPL related	(1,209,216)
Deferred outflows of resources - NPL related	4,256,911
Net pension liability	(7,840,672)
Net increase (decrease) in net position	(4,792,977)
4 Included in the items related to debt is the recognition of the District's proportion share of the net OPEB liability required by GASB 75. The net position related to TRS included:	
Deferred inflows of resources - OPEB related	(7,809,264)
Deferred outflows of resources - OPEB related	1,624,944
Net OPEB liability	(9,498,554)
Net increase (decrease) in net position	(15,682,874)
5 Uncollected property taxes and penalties and interest are reported as deferred inflows in the governmental funds balance sheet, but are recognized as revenue in the statement of activities.	<u>153,765</u>
19 Net position of governmental activities	\$ <u>3,790,982</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes		10	50	281
		General	Debt Service	ESSER II
	REVENUES			
5700	Local and intermediate sources	\$ 15,773,609	\$ 2,303,562	\$ -
5800	State program revenues	16,214,479	46,629	-
5900	Federal program revenues	<u>651,232</u>	<u>-</u>	<u>1,397,889</u>
5020	Total revenues	<u>32,639,320</u>	<u>2,350,191</u>	<u>1,397,889</u>
	EXPENDITURES			
	Current:			
0011	Instruction	18,940,186	-	399,660
0012	Instructional resources and media services	362,669	-	-
0013	Curriculum and instructional staff development	40,904	-	-
0021	Instructional leadership	487,105	-	283,803
0023	School leadership	1,711,601	-	-
0031	Guidance, counseling, and evaluation services	1,017,097	-	-
0032	Social work services	26,111	-	-
0033	Health services	294,492	-	-
0034	Student (pupil) transportation	815,791	-	-
0035	Food service	93,583	-	-
0036	Extracurricular activities	1,329,859	-	-
0041	General administration	1,105,523	-	-
0051	Facilities maintenance and operations	2,897,587	-	606,424
0052	Security and monitoring services	47,909	-	-
0053	Data processing services	982,360	-	108,002
	Debt Service:			
0071	Principal on long-term debt	92,028	1,515,000	-
0072	Interest on long-term debt	1,886	794,540	-
	Intergovernmental:			
0099	Other intergovernmental	<u>535,454</u>	<u>-</u>	<u>-</u>
6030	Total expenditures	<u>30,782,145</u>	<u>2,309,540</u>	<u>1,397,889</u>
1200	NET CHANGE IN FUND BALANCES	1,857,175	40,651	-
0100	FUND BALANCES, BEGINNING	3,775,667	1,579,087	-
1300	PRIOR PERIOD ADJUSTMENT	<u>(267,191)</u>	<u>-</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ 5,365,651</u>	<u>\$ 1,619,738</u>	<u>\$ -</u>

Other Funds	Total Governmental Funds
\$ 513,779	\$ 18,590,950
849,598	17,110,706
<u>5,590,503</u>	<u>7,639,624</u>
<u>6,953,880</u>	<u>43,341,280</u>
3,057,666	22,397,512
7,572	370,241
94,987	135,891
27,055	797,963
46,475	1,758,076
336,177	1,353,274
181,990	208,101
42,132	336,624
-	815,791
1,659,246	1,752,829
219,426	1,549,285
7,874	1,113,397
596,425	4,100,436
70,283	118,192
133,625	1,223,987
-	1,607,028
-	796,426
-	<u>535,454</u>
<u>6,480,933</u>	<u>40,970,507</u>
472,947	2,370,773
341,290	5,696,044
<u>-</u>	<u>(267,191)</u>
<u>\$ 814,237</u>	<u>\$ 7,799,626</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

FOR THE YEAR ENDED AUGUST 31, 2021

Net change in fund balances - total governmental funds	\$ 2,370,773
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful live as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(1,527,955)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	35,736
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in treatment of long-term debt and related items.	1,849,707
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$519,735. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$604,034. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$707,066. The net result is a decrease in the change in net position.	(791,365)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$188,156. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$189,916. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense increased the change in net position by \$373,207. The net result is an increase in the change in net position.	<u>371,447</u>
Change in net position of governmental activities	<u>\$ 2,308,343</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

EXHIBIT E-1

STATEMENT OF FIDUCIARY NET POSITION

AUGUST 31, 2021

	<u>Custodial Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>304,517</u>
Total assets	<u>304,517</u>
LIABILITIES	<u>-</u>
NET POSITION	
Restricted for student groups	<u>304,517</u>
Total net position	<u>\$ 304,517</u>

The accompanying notes are an integral part of this financial statement.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED AUGUST 31, 2021

	Custodial Fund
ADDITIONS	
Collections from student groups	284,241
Total additions	284,241
DEDUCTIONS	
Payments on-behalf of student groups	279,073
Total deductions	279,073
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	5,168
NET POSITION, BEGINNING	-
PRIOR PERIOD ADJUSTMENT	299,349
NET POSITION, ENDING	\$ 304,517

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Brownwood Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and it complies with the requirements of the Texas Education Agency's Financial Accountability System Resource Guide (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB"). There are no component units included within the reporting entity.

B. 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. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are supported by taxes, state foundation funds and intergovernmental revenue.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes 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 revenue are reported instead as general revenue.

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

C. 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, state foundation funds, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Entitlements are recorded as revenue when all eligibility requirements are met, including any time requirements, and the amount received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

D. Fund Accounting

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 **ESSER II Fund** is used to account for the activity related to the use of funds provided by the Elementary and Secondary School Emergency Relief Fund (ESSER).
- 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.

Additionally, the government reports the following fund types:

- The **Nonmajor 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.
- The **Custodial Fund** accounts for resources held for others in a custodial capacity. The District's Custodial Fund is Student Activities.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in the governmental activities are eliminated.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Assets, Liabilities, and Net Position or Equity

1. Cash 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.

Investments for the District are reported at fair value, except for the position in investment pools. The District's investments in Pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

2. Receivables

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

3. Capital Assets

Capital assets, which include land, buildings, furniture and equipment, are reported in the governmental activity column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. As the District constructs or acquires capital assets each period they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

Land and construction in progress are not depreciated. Buildings, furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

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

4. 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.

5. Defined Benefit Pensions Plan

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The Teacher Retirement System of Texas (TRS) administers the plan. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

6. Other Post-Employment Benefits

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

7. Deferred outflows/inflows of resources

Deferred outflows and inflows of resources are reported in the financial statements as described below:

A deferred outflow of resources is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District had the following deferred outflows of resources:

- Deferred outflows of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability, the results of differences between expected and actual experience, and changes in actuarial assumptions. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year.
- Deferred outflows of resources for OPEB – Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net pension liability, the differences between projected and actual investment earnings, and changes in proportion and difference between the employer's contributions and the proportionate share of contributions. The deferred outflows related to OPEB resulting to District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year.

A deferred inflow of resources is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District had two items that qualify for reporting in this category:

- Deferred inflow of resources for unavailable revenues – Reported only in the governmental funds balance sheet, for unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of revenues in the period that the amounts become available. During the current year, the District recorded deferred inflow of resources as unavailable revenues – property taxes with the General Fund and Debt Service Fund respectively.
- Deferred inflow of resources for pensions – Reported in the government-wide financial statement of net position, these deferred inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, differences between projected and actual investment earnings, as well as changes in proportion and difference between the employer's contributions and the proportionate share of contributions.
- Deferred inflow of resources for OPEB – Reported in the government-wide financial statement of net position, these deferred inflows result from differences between expected and actual economic experience and changes in actuarial assumptions.

- Deferred inflows of resources for refunding – Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

8. Fund Balance Policies

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This 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).
- **Assigned:** This 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.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

9. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Net Position

Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

11. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted net position to have been depleted before unrestricted – net position is applied.

12. 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.

13. Property Taxes

Property taxes are levied as of October 1 on property values assessed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the following year. On January 31 of each year, a tax lien attaches to property to secure payment of all taxes, penalties, and interest ultimately imposed.

14. Data Control Codes

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

15. Estimates

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

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimates as of August 31, 2021 will change.

II. DETAILED NOTES ON ALL FUNDS

A. 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.

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.

Custodial Credit Risk - Deposits

At August 31, 2021, 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.

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, 2021, is shown below:

<u>Name</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
TexPool	\$ <u>5,808,023</u>	31	AAAM

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.

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.

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.

B. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2021, are summarized below.

<u>Fund</u>	<u>Federal Grants</u>
ESSER II	\$ 1,397,890
Nonmajor Governmental	<u>943,863</u>
Total	<u>\$ 2,341,753</u>

C. Interfund Balances

The composition of interfund balances as of August 31, 2021, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental	General	\$ 1,879
Debt Service	Debt Service	130,000
General	ESSER II	1,393,366
Nonmajor governmental	Nonmajor governmental	<u>646,677</u>
Total		<u>\$ 2,171,922</u>

D. Capital Assets

Capital asset activity for the year ended August 31, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 384,828	\$ -	\$ -	\$ 384,828
Total capital assets, not being depreciated	384,828	-	-	384,828
Capital assets, being depreciated:				
Buildings and improvements	77,809,961	-	(1,691,504)	76,118,457
Furniture and equipment	8,288,682	241,465	(182,732)	8,347,415
Total capital assets, being depreciated	86,098,643	241,465	(1,874,236)	84,465,872
Less accumulated depreciation for:				
Buildings and improvements	(42,603,026)	(1,480,873)	1,674,013	(42,409,886)
Furniture and equipment	(6,678,913)	(271,056)	182,732	(6,767,237)
Total accumulated depreciation	(49,281,939)	(1,751,929)	1,856,745	(49,177,123)
Total capital assets, being depreciated, net	36,816,704	(1,510,464)	(17,491)	35,288,749
Governmental activities capital assets, net	\$ 37,201,532	\$ (1,510,464)	\$ (17,491)	\$ 35,673,577

Depreciation expense was charged to functions of the government as follows:

Governmental activities:	
Instruction	\$ 520,026
Instructional resources and media services	4,425
School leadership	12,450
Guidance, counseling and evaluation services	1,129
Student (pupil) transportation	66,340
Food services	20,847
Co-curricular/extracurricular activities	104,225
General administration	71,404
Facilities maintenance and operations	940,554
Security monitoring services	9,941
Data processing services	588
Total depreciation expense - governmental activities	\$ 1,751,929

E. Unearned Revenues

Unearned revenues in the fund financial statements at August 31, 2021 consisted \$673,257 and \$9,259 in the General Fund and Debt Service fund, respectively. These reflect overpayments of allotments by the Texas Education Agency and will be recognized in the following fiscal year.

F. Long-term Debt

The following is a summary of changes in long-term debt:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due in One Year
Bonds payable	\$ 18,560,000	\$ -	\$ 1,515,000	\$ 17,045,000	\$ 1,590,000
Notes payable	92,028	-	92,028	-	-
Unamortized premium	<u>1,669,022</u>	<u>-</u>	<u>166,902</u>	<u>1,502,120</u>	<u>-</u>
Totals	\$ <u>20,321,050</u>	\$ <u>-</u>	\$ <u>1,773,930</u>	\$ <u>18,547,120</u>	\$ <u>1,590,000</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.

Bonds Payable

The District issues Bonds to provide funds for the acquisition and construction of major capital facilities or to refund prior debt issuances. The Bonds are direct obligations and pledge the full faith and credit of the District. Bonds outstanding as of August 31, 2021 are as follows:

Description	Interest Rate Payable	Amounts Original Issue	Payable Amounts Outstanding 09/01/20	Issued	Retired	Payable Amounts Outstanding 08/31/21
Unlimited Tax Refunding Bonds, Series 2014	3.25-5%	\$ 26,000,000	\$ 18,560,000	\$ -	\$ 1,515,000	\$ 17,045,000
Totals		\$ 26,000,000	\$ 18,560,000	\$ -	\$ 1,515,000	\$ 17,045,000

The future service requirements are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
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	1,800,000	505,125	2,305,125
2026	1,875,000	431,625	2,306,625
2027-2031	<u>8,390,000</u>	<u>851,813</u>	<u>9,241,813</u>
Total	\$ <u>17,045,000</u>	\$ <u>3,724,288</u>	\$ <u>20,769,288</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2021.

The District's outstanding bonds payable contain a provision that in an event of default, outstanding amounts will be paid from the corpus of the Texas Permanent School Fund. In the event of default, the outstanding capital leases payable are secured by the leased assets.

G. Defined Benefit Pension Plan

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

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System’s fiduciary net position is available in a separately issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at 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 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member’s age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member’s age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

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

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

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

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

	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2021</u>
Active Employee	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
Current fiscal year employer contributions		\$ 519,735
Current fiscal year member contributions		1,696,407
2020 measurement year NECE on-behalf contributions		1,316,104

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

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

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.5 percent of the member's salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025.
- 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.

Actuarial Assumptions. The total pension liability in the August 31, 2020 actuarial valuation was rolled forward to August 31, 2021, and was determined using the following actuarial assumptions:

Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary increases including inflation	3.05% to 9.05%
Payroll growth rate	3.00%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions please see the actuarial valuation report dated November 14, 2019.

Discount Rate. A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2021 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2021 (see page 53 of the TRS ACFR) are summarized below:

Asset Class	Target Allocation ¹	Long-Term Expected Geometric Real Rate of Return ²	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
Stable Value			
Government Bonds	16.00%	-0.70%	-0.05%
Absolute Return	0.00%	1.80%	0.00%
Stable Value Hedge Funds	5.00%	1.90%	0.11%
Real Return			
Real Estate	15.00%	4.60%	1.02%
Energy, Natural Resources and Commodities	6.00%	6.00%	0.42%
Commodities	0.00%	0.80%	0.00%
Risk Parity			
Risk Parity	8.00%	3.00%	0.30%
Leverage			
Cash	2.00%	-1.50%	-0.03%
Asset Allocation Leverage	-6.00%	-1.30%	0.08%
Inflation Expectation			2.00%
Volatility Drag ³			-0.67%
Expected Return	100.00%		7.33%

¹ Target allocations are based on the FY2020 policy model.

² Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020).

³ 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 (7.25%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Proportionate share of the net pension liability:	\$ 12,090,177	\$ 7,840,672	\$ 4,388,043

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2021 the District reported a liability of \$7,840,672 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	\$	7,840,672
State's proportionate share that is associated with the District		<u>17,083,732</u>
Total	\$	<u><u>24,924,404</u></u>

The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2019 thru August 31, 2021.

At August 31, 2021 the employer's proportion of the collective net pension liability was 0.0146396025% which was an increase of 0.0046264044% from its proportion measured as of August 31, 2019.

For the year ended August 31, 2021, the District recognized pension expense of \$3,365,894 and revenue of \$2,054,794 for support provided by the State.

At August 31, 2021, the District's reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 14,316	\$ 218,812
Changes in actuarial assumptions	1,819,315	773,560
Difference between projected and actual investment earnings	158,728	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,744,817	216,844
Contributions paid to TRS subsequent to the measurement date	<u>519,735</u>	<u>-</u>
Total as of fiscal year-end	<u>\$ 4,256,911</u>	<u>\$ 1,209,216</u>

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

Fiscal year ended August 31,	Pension Expense Amount
2022	\$ 405,254
2023	668,685
2024	691,180
2025	425,872
2026	243,490
Thereafter	93,479

H. Defined Other Post-Employment Benefit Plans

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"). It is a multiple-employer, cost-sharing defined other post-employment benefit (OPEB) plan that has a special funding situation. TRS-Care is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees (the "Board"). 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 Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.trs.texas.gov; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

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

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

TRS-Care Monthly for Retirees				
January 1, 2020 thru December 31, 2020				
	Medicare		Non-Medicare	
Retiree or Surviving Spouse	\$	135	\$	200
Retiree and Spouse		529		689
Retiree or Surviving Spouse and Children		468		408
Retiree and Family		1,020		999

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2020	2021
Active employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Current fiscal year employer contributions		\$ 188,156
Current fiscal year member contributions		143,203
2020 measurement year NECE on-behalf contributions		255,198

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$230.8 million in fiscal year 2021 to maintain premiums and benefit levels in the 2020-2021 biennium.

Actuarial Assumptions. The total OPEB liability in the August 31, 2020 was rolled forward to August 31, 2021. The actuarial valuation determined using the following actuarial assumptions.

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

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2019 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

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

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

Additional Actuarial Methods and Assumptions

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.33% as of August 31, 2020
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	3.00%
Projected Salary Increases	3.05% to 9.05%
Healthcare Trend Rates	4.50% to 9.00%
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

Discount Rate. A single discount rate of 2.33% was used to measure the total OPEB liability. here was a decrease of .30 percent in the discount rate since the previous year. The Discount Rate can be found in the 2021 TRS ACFR on page 76. 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 used for the long-term rate of return and 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% more than the discount rate that was used 2.33% in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.33%)	Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
Proportionate share of net OPEB liability	\$ 11,398,243	\$ 9,498,554	\$ 7,998,072

Healthcare Cost Trend Rates 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 is used.

	1% Decrease in Healthcare Trend rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend rate (9.5%)
Proportionate share of net OPEB liability	\$ 7,759,102	\$ 9,498,554	\$ 11,815,259

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2021, the District reported a liability of \$9,498,554 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	\$ 9,498,554
State's proportionate share that is associated with the District	<u>12,763,780</u>
Total	<u><u>\$ 22,262,334</u></u>

The Net OPEB Liability was measured as of August 31, 2019 and rolled forward to August 31, 2021 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 District's contributions to their OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2019 through August 31, 2021.

At the August 31, 2021 measurement date, the District's proportion of the collective Net OPEB Liability was .0249866502%, which was a decrease of .0012857053% from its proportion measured as of August 31, 2019.

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:

- The discount rate changed from 2.63 percent as of August 31, 2020 to 2.33 percent as of August 31, 2021. This change increased the TOL.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change decreased the TOL.

- The ultimate health care trend rate assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change decreased the TOL.

For the year ended August 31, 2021, the District recognized OPEB expense of \$(271,918) and revenue of \$(88,627) for support provided by the State.

At August 31, 2021, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 497,341	\$ 4,347,024
Changes in actuarial assumptions	585,863	2,608,352
Differences between projected and actual investment earnings	3,086	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	350,498	853,888
Contributions paid to OPEB subsequent to the measurement date	<u>188,156</u>	<u>-</u>
Total as of fiscal year-end	<u>\$ 1,624,944</u>	<u>\$ 7,809,264</u>

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

<u>For the Year Ended August 31,</u>	<u>OPEB Expense</u>
2022	\$(1,027,919)
2023	(1,028,332)
2024	(1,028,568)
2025	(1,028,503)
2026	(774,793)
Thereafter	(1,484,361)

I. Negative Operating Grants and Contributions – Statement of Activities

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities. According to guidance provided directly from GASB, this is the correct reporting.

Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (excluding on- behalf accruals)
11 - Instruction	\$ 5,337,220	\$(61,073)	\$ 5,398,293
12 - Instructional resources and media services	29,874	(997)	30,871
13 - Curriculum and staff development	105,927	(8)	105,935
21 - Instructional leadership	414,291	(2,144)	416,435
23 - School leadership	163,739	(5,243)	168,982
31 - Guidance, counseling, and evaluation services	555,587	(3,309)	558,896
32 - Social work services	183,972	(89)	184,061
33 - Health services	89,426	(1,030)	90,456
34 - Student transportation	1,290	-	1,290
35 - Food service	1,733,802	(271)	1,734,073
36 - Extracurricular activities	49,660	(2,154)	51,814
41 - General administration	142,805	(2,449)	145,254
51 - Facilities and maintenance and operations	1,343,830	(6,303)	1,350,133
52 - Security and monitoring services	221,295	(18)	221,313
53 - Data Processing Services	187,156	-	187,156
71 - Interest on long-term debt	46,629	(3,539)	50,168
Total	<u>\$ 10,606,503</u>	<u>\$(88,627)</u>	<u>\$ 10,695,130</u>

J. Active Employee Health Care Coverage

During the year ended August 31, 2021, 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.

K. Medicare Part D – On-behalf Payments.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the 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 \$101,322, \$92,743 and \$77,339 for the years ended August 31, 2021, 2020 and 2019, respectively.

L. Commitments and 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, 2021, 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.

The world-wide coronavirus pandemic has resulted in certain risk and uncertainties to the public in general and the District. The District is closely monitoring their operations, liquidity, and resources, and are actively working to minimize the current and future impact of this unprecedented situation.

M. 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 2021, 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.

N. Prior Period Adjustment

In the implementation of GASB Statement No. 84 relating to the presentation of fiduciary activities, the District adjusted the beginning net position of the custodial fund. The beginning balance of the custodial fund was established to be \$299,349, being presented as a prior period adjustment in Exhibit E-2.

In the current year, the District corrected an error from a prior period bank reconciliation in the General Fund. The correction caused a reduction of beginning fund balance in the amount of \$267,191.

O. New Accounting Standards

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the District includes the following:

Statement No. 87, Leases – This Statement will improve the accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities previously classified as operating leases. It establishes a single model for lease accounting based on the principle that leases are financing the right to use an underlying asset. Under the Statement a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resource, enhancing the relevance and consistency of information about leasing activities. This Statement will become effective for the District in fiscal year 2022.

Statement No. 96, Subscription-Based Information Technology Arrangements – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This Statement will become effective for the District in fiscal year 2024.

**REQUIRED SUPPLEMENTARY
INFORMATION**

THIS PAGE LEFT BLANK INTENTIONALLY

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 15,804,647	\$ 15,804,647	\$ 15,773,609	\$(31,038)
5800	State program revenues	16,438,627	16,438,627	16,214,479	(224,148)
5900	Federal program revenues	600,000	600,000	651,232	51,232
5020	Total revenues	<u>32,843,274</u>	<u>32,843,274</u>	<u>32,639,320</u>	<u>(203,954)</u>
EXPENDITURES					
Current:					
0011	Instruction	19,498,865	20,535,340	18,940,186	1,595,154
0012	Instructional resources and media sources	375,106	384,170	362,669	21,501
0013	Curriculum and instructional staff development	78,992	66,341	40,904	25,437
0021	Instructional leadership	903,185	561,102	487,105	73,997
0023	School leadership	1,634,863	1,738,487	1,711,601	26,886
0031	Guidance, counseling, and evaluation services	994,473	1,070,899	1,017,097	53,802
0032	Social work services	26,761	30,845	26,111	4,734
0033	Health services	339,877	360,414	294,492	65,922
0034	Student (pupil) transportation	864,900	829,309	815,791	13,518
0035	Food services	74,916	100,751	93,583	7,168
0036	Extracurricular activities	1,419,827	1,404,587	1,329,859	74,728
0041	General administration	1,170,985	1,168,825	1,105,523	63,302
0051	Facilities maintenance and operations	3,572,631	3,110,765	2,897,587	213,178
0052	Security and monitoring services	119,600	59,600	47,909	11,691
0053	Data processing services	1,149,255	1,026,577	982,360	44,217
Debt Service:					
0071	Principal on long-term debt	94,000	92,114	92,028	86
0072	Interest on long-term debt	-	1,886	1,886	-
Intergovernmental:					
0099	Other intergovernmental	<u>525,038</u>	<u>540,038</u>	<u>535,454</u>	<u>4,584</u>
6030	Total expenditures	<u>32,843,274</u>	<u>33,082,050</u>	<u>30,782,145</u>	<u>2,299,905</u>
1200	NET CHANGE IN FUND BALANCES	-	(238,776)	1,857,175	2,095,951
0100	FUND BALANCE, BEGINNING	3,775,667	3,775,667	3,775,667	-
1300	PRIOR PERIOD ADJUSTMENT	-	-	(267,191)	(267,191)
3000	FUND BALANCES, ENDING	<u>\$ 3,775,667</u>	<u>\$ 3,536,891</u>	<u>\$ 5,365,651</u>	<u>\$ 1,828,760</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2021

Plan Year Ended August 31,	<u>2021</u>	<u>2020</u>	<u>2019</u>
District's proportion of the net pension liability (asset)	0.014640%	0.010013%	0.010042%
District's proportionate share of the net pension liability (asset)	\$ 7,840,672	\$ 5,205,173	\$ 5,527,367
State's proportionate share of the net pension liability (asset) associated with the District	<u>17,083,732</u>	<u>15,214,751</u>	<u>16,473,125</u>
Total	\$ <u>24,924,404</u>	\$ <u>20,419,924</u>	\$ <u>22,000,492</u>
District's covered payroll	\$ 21,654,544	\$ 20,575,746	\$ 19,977,546
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	36.21%	25.30%	27.67%
Plan fiduciary net position as a percentage of the total pension liability	75.54%	75.24%	73.74%

Note: This schedule is required to have 10 years of information, but the information prior to year ended 2015 is not available.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.010597%	0.010253%	0.011369%	0.011465%
\$ 3,388,244	\$ 3,874,352	\$ 4,018,649	\$ 3,062,353
<u>9,497,948</u>	<u>11,718,632</u>	<u>11,349,693</u>	<u>10,270,179</u>
\$ <u>12,886,192</u>	\$ <u>15,592,984</u>	\$ <u>15,368,342</u>	\$ <u>13,332,532</u>
\$ 19,380,101	\$ 19,038,726	\$ 18,801,191	\$ 18,431,472
17.48%	20.35%	21.37%	16.61%
82.17%	78.00%	78.43%	83.25%

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2021

Fiscal Year Ended August 31,	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 519,735	\$ 604,034	\$ 350,474
Contributions in relation to the contractually required contribution	(519,735)	(604,034)	(350,474)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 22,031,254	\$ 21,654,559	\$ 20,575,746
Contribution as a percentage of covered payroll	2.36%	2.79%	1.70%

Note: This schedule is required to have 10 years of information, but the information prior to year ended 2015 is not available.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 338,610	\$ 347,297	\$ 325,755	\$ 290,661
(338,610)	(347,297)	(325,755)	(286,048)
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,613</u>
\$ 19,977,546	\$ 19,380,101	\$ 19,038,726	\$ 18,801,191
1.69%	1.79%	1.71%	1.52%

BROWNWOOD INDEPENDENT SCHOOL DISTRICTSCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2021

Plan Year Ended August 31,	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability (asset)	0.024987%	0.026272%	0.026551%	0.025699%
District's proportionate share of the net OPEB liability (asset)	\$ 9,498,554	\$ 12,424,520	\$ 13,257,016	\$ 11,175,666
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>12,763,780</u>	<u>16,509,406</u>	<u>16,081,012</u>	<u>13,874,209</u>
Total	<u>\$ 22,262,334</u>	<u>\$ 28,933,926</u>	<u>\$ 29,338,028</u>	<u>\$ 25,049,875</u>
District's covered employee payroll	\$ 21,654,603	\$ 20,575,746	\$ 19,977,546	\$ 19,380,101
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	43.86%	60.38%	66.36%	57.67%
Plan fiduciary net position as a percentage of the total OPEB liability	4.99%	2.66%	1.57%	0.91%

Note: This schedule is required to have 10 years of information, but the information prior to year ended 2017 is not available.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2021

Fiscal year Ended August 31,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 188,156	\$ 189,916	\$ 181,111	\$ 177,812
Contributions in relation to the contractually required contribution	(188,156)	(189,916)	(181,111)	(177,812)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 22,031,215	\$ 21,654,559	\$ 20,575,746	\$ 20,041,683
Contribution as a percentage of covered employee payroll	0.85%	0.88%	0.88%	0.89%

Note: This schedule is required to have 10 years of information, but the information prior to year ended 2018 is not available.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

AUGUST 31, 2021

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.

COMBINING STATEMENTS

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2021

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	
ASSETS					
1110	Cash and cash equivalents	\$ -	\$ -	\$ 125,257	\$ 3,050
1240	Due from other governments	28,422	58,378	-	-
1290	Other receivables	-	-	-	-
1260	Due from other funds	1,879	-	-	-
1000	Total assets	<u>30,301</u>	<u>58,378</u>	<u>125,257</u>	<u>3,050</u>
LIABILITIES					
2110	Accounts payable	-	-	-	-
2160	Accrued wages payable	23,656	45,603	26,813	1,506
2170	Due to other funds	2,711	5,354	93,825	1,282
2200	Accrued expenses	3,934	7,421	4,619	262
2300	Unearned revenue	-	-	-	-
2000	Total liabilities	<u>30,301</u>	<u>58,378</u>	<u>125,257</u>	<u>3,050</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or state funds grant restriction	-	-	-	-
3545	Committed for campus activity	-	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total liabilities and fund balances	<u>\$ 30,301</u>	<u>\$ 58,378</u>	<u>\$ 125,257</u>	<u>\$ 3,050</u>

EXHIBIT H-1

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	266 ESSER I	270 ESEA VI, Pt B Rural & Low Income	272 Medicaid Admin. Claim MAC	276 Title I SIP
\$ 619,985	\$ 3,335	\$ -	\$ -	\$ -	\$ -	\$ -
155,660	-	6,778	59,113	5,453	11,427	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>775,645</u>	<u>3,335</u>	<u>6,778</u>	<u>59,113</u>	<u>5,453</u>	<u>11,427</u>	<u>-</u>
78,266	-	-	38	-	-	-
3,725	-	5,704	-	4,589	-	-
-	3,335	105	59,075	66	11,427	-
304	-	969	-	798	-	-
-	-	-	-	-	-	-
<u>82,295</u>	<u>3,335</u>	<u>6,778</u>	<u>59,113</u>	<u>5,453</u>	<u>11,427</u>	<u>-</u>
693,350	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>693,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 775,645</u>	<u>\$ 3,335</u>	<u>\$ 6,778</u>	<u>\$ 59,113</u>	<u>\$ 5,453</u>	<u>\$ 11,427</u>	<u>\$ -</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2021

Data Control Codes	282 <u>ESSER III</u>	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	410 Textbook and Kindergarten Material	
ASSETS					
1110	Cash and cash equivalents	\$ -	\$ -	\$ 183	\$ -
1240	Due from other governments	332,489	21,004	-	265,139
1290	Other receivables	-	-	-	-
1260	Due from other funds	-	-	-	-
1000	Total assets	<u>332,489</u>	<u>21,004</u>	<u>183</u>	<u>265,139</u>
LIABILITIES					
2110	Accounts payable	-	4,676	-	117,512
2160	Accrued wages payable	23,298	-	-	-
2170	Due to other funds	305,542	16,328	-	147,627
2200	Accrued expenses	3,649	-	-	-
2300	Unearned revenue	-	-	183	-
2000	Total liabilities	<u>332,489</u>	<u>21,004</u>	<u>183</u>	<u>265,139</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or state funds grant restriction	-	-	-	-
3545	Committed for campus activity	-	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total liabilities and fund balances	<u>\$ 332,489</u>	<u>\$ 21,004</u>	<u>\$ 183</u>	<u>\$ 265,139</u>

429 Other State Special Revenue Funds	461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds
\$ -	\$ 119,316	\$ 29,426	\$ 900,552
-	-	-	943,863
-	1,571	-	1,571
-	-	-	1,879
<u>-</u>	<u>120,887</u>	<u>29,426</u>	<u>1,847,865</u>
-	-	-	200,492
-	-	-	134,894
-	-	-	646,677
-	-	-	21,956
-	-	29,426	29,609
<u>-</u>	<u>-</u>	<u>29,426</u>	<u>1,033,628</u>
-	-	-	693,350
<u>-</u>	<u>120,887</u>	<u>-</u>	<u>120,887</u>
<u>-</u>	<u>120,887</u>	<u>-</u>	<u>814,237</u>
<u>\$ -</u>	<u>\$ 120,887</u>	<u>\$ 29,426</u>	<u>\$ 1,847,865</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	205	211	224	225
<u> </u>	<u>Head</u>	<u>ESEA I, A</u>	<u>IDEA - Part B</u>	<u>IDEA - Part B</u>
<u> </u>	<u>Start</u>	<u>Improving</u>	<u>Formula</u>	<u>Preschool</u>
REVENUES				
5700 Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
5800 State program revenues	-	-	-	-
5900 Federal program revenues	<u>472,610</u>	<u>987,389</u>	<u>752,193</u>	<u>29,387</u>
5020 Total revenues	<u>472,610</u>	<u>987,389</u>	<u>752,193</u>	<u>29,387</u>
EXPENDITURES				
Current:				
0011 Instruction	391,066	861,030	545,346	29,387
0012 Instructional resources and media services	-	-	-	-
0013 Curriculum and instructional staff development	-	-	-	-
0021 Instructional leadership	-	-	-	-
0023 School leadership	24,159	-	-	-
0031 Guidance, counseling, and evaluation services	-	23	206,847	-
0032 Social work services	54,223	126,336	-	-
0033 Health services	-	-	-	-
0035 Food service	-	-	-	-
0036 Extracurricular activities	-	-	-	-
0041 General administration	-	-	-	-
0051 Facilities maintenance and operations	3,162	-	-	-
0052 Security and monitoring services	-	-	-	-
0053 Data processing services	-	-	-	-
6030 Total expenditures	<u>472,610</u>	<u>987,389</u>	<u>752,193</u>	<u>29,387</u>
1200 NET CHANGE IN FUND BALANCES	-	-	-	-
0100 FUND BALANCE, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	266 ESSER I	270 ESEA VI, Pt B Rural & Low Income	272 Medicaid Admin. Claim MAC	276 Title I SIP
\$ 263,752	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8,849	-	-	-	-	-	-
<u>1,826,662</u>	<u>41,668</u>	<u>168,568</u>	<u>749,397</u>	<u>78,174</u>	<u>37,770</u>	<u>22,000</u>
<u>2,099,263</u>	<u>41,668</u>	<u>168,568</u>	<u>749,397</u>	<u>78,174</u>	<u>37,770</u>	<u>22,000</u>
-	41,438	78,901	19,007	-	-	22,000
-	-	-	4,938	-	-	-
-	230	89,667	3,930	-	-	-
-	-	-	21,676	-	-	-
-	-	-	-	-	-	-
-	-	-	-	78,174	-	-
-	-	-	-	-	-	-
-	-	-	-	-	37,770	-
1,658,411	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	573,094	-	-	-
-	-	-	-	-	-	-
-	-	-	126,752	-	-	-
<u>1,658,411</u>	<u>41,668</u>	<u>168,568</u>	<u>749,397</u>	<u>78,174</u>	<u>37,770</u>	<u>22,000</u>
440,852	-	-	-	-	-	-
<u>252,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 693,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	282	289	397	410
<u>Codes</u>	<u>ESSER III</u>	<u>Other Federal Special Revenue Funds</u>	<u>Advanced Placement Incentives</u>	<u>Textbook and Kindergarten Material</u>
REVENUES				
5700 Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
5800 State program revenues	-	-	-	695,182
5900 Federal program revenues	<u>332,490</u>	<u>92,195</u>	<u>-</u>	<u>-</u>
5020 Total revenues	<u>332,490</u>	<u>92,195</u>	<u>-</u>	<u>695,182</u>
EXPENDITURES				
Current:				
0011 Instruction	240,446	21,123	-	695,182
0012 Instructional resources and media services	2,634	-	-	-
0013 Curriculum and instructional staff development	-	-	-	-
0021 Instructional leadership	5,379	-	-	-
0023 School leadership	22,316	-	-	-
0031 Guidance, counseling, and evaluation services	18,677	789	-	-
0032 Social work services	1,431	-	-	-
0033 Health services	4,362	-	-	-
0035 Food service	835	-	-	-
0036 Extracurricular activities	1,494	-	-	-
0041 General administration	7,874	-	-	-
0051 Facilities maintenance and operations	20,169	-	-	-
0052 Security and monitoring services	-	70,283	-	-
0053 Data processing services	<u>6,873</u>	<u>-</u>	<u>-</u>	<u>-</u>
6030 Total expenditures	<u>332,490</u>	<u>92,195</u>	<u>-</u>	<u>695,182</u>
1200 NET CHANGE IN FUND BALANCES	-	-	-	-
0100 FUND BALANCE, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

429 Other State Special Revenue Funds	461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds
\$ -	\$ 250,027	\$ -	\$ 513,779
145,567	-	-	849,598
-	-	-	5,590,503
<u>145,567</u>	<u>250,027</u>	<u>-</u>	<u>6,953,880</u>
112,740	-	-	3,057,666
-	-	-	7,572
1,160	-	-	94,987
-	-	-	27,055
-	-	-	46,475
31,667	-	-	336,177
-	-	-	181,990
-	-	-	42,132
-	-	-	1,659,246
-	217,932	-	219,426
-	-	-	7,874
-	-	-	596,425
-	-	-	70,283
-	-	-	133,625
<u>145,567</u>	<u>217,932</u>	<u>-</u>	<u>6,480,933</u>
-	32,095	-	472,947
-	<u>88,792</u>	-	<u>341,290</u>
<u>\$ -</u>	<u>\$ 120,887</u>	<u>\$ -</u>	<u>\$ 814,237</u>

THIS PAGE LEFT BLANK INTENTIONALLY

**REQUIRED TEXAS EDUCATION
AGENCY SCHEDULES**

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECIEVABLE

FISCAL YEAR ENDED AUGUST 31, 2021

Last Ten Years Ended August 31,	1	2	3
	Tax Rates		Net Assessed/ Appraised Value for School Tax Purpose
	Maintenance	Debt Service	
2012 and prior years	various	various	various
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	1.040000	0.165100	1,443,380,383
2020	0.970000	0.155100	1,542,230,113
2021 (School year under audit)	0.966400	0.145100	1,580,518,758
1000 Totals			

10	20	31	32	40	50
Beginning Balance 09/01/20	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 08/31/21
\$ 89,708	\$ -	\$ 1,140	\$ 262	\$ (2,330)	\$ 85,976
27,656	-	329	83	(496)	26,748
21,706	-	982	250	(557)	19,917
29,466	-	2,388	493	(910)	25,675
29,084	-	4,722	795	(1,288)	22,279
48,698	-	10,676	1,797	(1,125)	35,100
74,374	-	17,176	2,892	(1,069)	53,237
114,138	-	32,730	5,196	(5,055)	71,157
268,820	-	117,534	18,793	(22,379)	110,114
<u>-</u>	<u>17,567,466</u>	<u>15,004,708</u>	<u>2,252,941</u>	<u>(53,739)</u>	<u>256,078</u>
<u>\$ 703,650</u>	<u>\$ 17,567,466</u>	<u>\$ 15,192,385</u>	<u>\$ 2,283,502</u>	<u>\$ (88,948)</u>	<u>\$ 706,281</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - CHILD NUTRITION PROGRAM

FOR THE YEAR ENDED AUGUST 31, 2021

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	\$ 334,136	\$ 334,136	\$ 263,752	\$ (70,384)
5800	State program revenues	10,000	10,000	8,849	(1,151)
5900	Federal program revenues	<u>1,585,491</u>	<u>1,585,491</u>	<u>1,826,662</u>	<u>241,171</u>
5020	Total revenues	<u>1,929,627</u>	<u>1,929,627</u>	<u>2,099,263</u>	<u>169,636</u>
EXPENDITURES					
0035	Food services	<u>1,929,627</u>	<u>1,929,627</u>	<u>1,658,411</u>	<u>271,216</u>
6030	Total expenditures	<u>1,929,627</u>	<u>1,929,627</u>	<u>1,658,411</u>	<u>271,216</u>
1200	NET CHANGE IN FUND BALANCES	-	-	440,852	440,852
0100	FUND BALANCE, BEGINNING	<u>252,498</u>	<u>252,498</u>	<u>252,498</u>	<u>-</u>
3000	FUND BALANCES, ENDING	\$ <u>252,498</u>	\$ <u>252,498</u>	\$ <u>693,350</u>	\$ <u>440,852</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - DEBT SERVICE FUND

FOR THE YEAR ENDED AUGUST 31, 2021

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	\$ 2,309,600	\$ 2,309,600	\$ 2,303,562	\$ (6,038)
5800	State program revenues	-	-	46,629	46,629
5020	Total revenues	<u>2,309,600</u>	<u>2,309,600</u>	<u>2,350,191</u>	<u>40,591</u>
EXPENDITURES					
Debt Service:					
0071	Principal on long-term debt	1,515,000	1,515,000	1,515,000	-
0072	Interest on long-term debt	794,600	794,600	794,540	60
6030	Total expenditures	<u>2,309,600</u>	<u>2,309,600</u>	<u>2,309,540</u>	<u>60</u>
1200	NET CHANGE IN FUND BALANCES	-	-	40,651	40,651
0100	FUND BALANCE, BEGINNING	<u>1,579,087</u>	<u>1,579,087</u>	<u>1,579,087</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ 1,579,087</u>	<u>\$ 1,579,087</u>	<u>\$ 1,619,738</u>	<u>\$ 40,651</u>

THIS PAGE LEFT BLANK INTENTIONALLY

COMPLIANCE SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Brownwood Independent School District
Brownwood, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brownwood Independent School District as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise Brownwood Independent School District's basic financial statements and have issued our report thereon dated January 10, 2022.

Internal Control Over Financial Reports

In planning and performing our audit of the financial statements, we considered Brownwood Independent School District's internal control over financial reporting (internal control) as a basis for designing 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 Brownwood Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Brownwood Independent School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brownwood Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Brownwood Independent School District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing 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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
January 10, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Board of Trustees
Brownwood Independent School District
Brownwood, Texas

Report on Compliance for Each Major Federal Program

We have audited the Brownwood Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Brownwood Independent School District's major federal programs for the year ended August 31, 2021. Brownwood Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Brownwood Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
January 10, 2022

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2021

(1) Federal Grantor/ Pass-through Grantor/ Grantor/Program Title	(2) Assistance Listing Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures
U. S. Department of Agriculture			
<u>Passed through Texas Education Agency:</u>			
National School Breakfast Program	10.553	71402001	\$ 39,252
COVID-19 - National School Breakfast Program, Seamless Summer Options	10.553	71402101	438,087
Subtotal - Assistance Listing 10.553			<u>477,339</u>
National School Lunch Program	10.555	71302001	82,522
COVID-19 - National School Lunch Program, Seamless Summer Options	10.555	71302101	1,018,418
Subtotal - Assistance Listing 10.555			<u>1,100,940</u>
Total Passed through Texas Education Agency			<u>1,578,279</u>
<u>Passed through Texas Department of Agriculture:</u>			
National School Lunch Program - Non Cash Assistance	10.555	CE 00131	98,618
COVID-19 - Emergency Operational Cost Reimbursement	10.555	CE 00131	149,765
Total Passed through Texas Department of Agriculture			<u>248,383</u>
Grand total - Assistance Listing 10.555			<u>1,349,323</u>
Total Child Nutrition Cluster			<u>1,826,662</u>
Total U. S. Department of Agriculture			<u>1,826,662</u>
U.S. Department of Treasury			
<u>Passed through Texas Division of Emergency Management</u>			
COVID-19 - Coronavirus Relief Fund	21.019	N/A	<u>26,158</u>
Total Passed through Texas Division of Emergency Management			<u>26,158</u>
Total U.S. Department of Treasury			<u>26,158</u>
U. S. Department of Education			
<u>Passed through Texas Education Agency:</u>			
ESEA Title I, Part A	84.010A	20610101025902	72,984
ESEA Title I, Part A	84.010A	21610101025902	736,503
ESEA Title I, Part A - School Improvement Grants	84.010A	20610141025902	24,297
ESEA Title I, Part A - School Improvement Grants	84.010A	21610141025902	153,605
Subtotal Assistance Listing 84.010A			<u>987,389</u>
IDEA Part- B, Formula	84.027A	216600010259026000	752,193
IDEA Part- B, Preschool	84.173A	216610010259026000	29,387
Subtotal Special Education Cluster			<u>781,580</u>
Career and Technical Basic Grant	84.048A	20420006025902	433
Career and Technical Basic Grant	84.048A	21420006025902	41,235
Subtotal Assistance Listing 84.048A			<u>41,668</u>
ESEA Title VI, Part B - Rural & Low Income Program	84.358B	20696001025902	16,118
ESEA Title VI, Part B - Rural & Low Income Program	84.358B	21696001025902	62,056
Subtotal Assistance Listing 84.358B			<u>78,174</u>
ESEA Title II, Part A - Teacher/Principal Training	84.367A	20694501025902	65,322
ESEA Title II, Part A - Teacher/Principal Training	84.367A	20694501025902	103,246
Subtotal Assistance Listing 84.367A			<u>168,568</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2021

(1) Federal Grantor/ Pass-through Grantor/ Grantor/Program Title	(2) Assistance Listing Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures
U. S. Department of Education			
<u>Passed through Texas Education Agency:</u>			
School Improvement Grants	84.377A	17610740025902	<u>22,000</u>
Subtotal Assistance Listing 84.377A			<u>22,000</u>
Student Support and Academic Enrichment Program	84.424A	20680101025902	35,942
Student Support and Academic Enrichment Program	84.424A	21680101025902	<u>56,253</u>
Subtotal Assistance Listing 84.424A			<u>92,195</u>
COVID-19 - ESSER I	84.425D	20521001025902	749,397
COVID-19 - ESSER III	84.425U	21521001025902	<u>332,490</u>
Subtotal Assistance Listing 84.425			<u>1,081,887</u>
Total Passed through Texas Education Agency			<u>3,253,461</u>
Total U. S. Department of Education			<u>3,253,461</u>
U. S. Department of Health and Human Services			
<u>Passed through ESC Region 15:</u>			
Head Start Cluster	93.600	06CH7152-06-00	<u>472,610</u>
Total Passed through ESC Region 15			<u>472,610</u>
<u>Passed through Texas Health and Human Services Commission:</u>			
COVID-19 - Provider Relief Fund			
Total Passed through Texas Health and Human Services Commission	93.498	N/A	<u>10,801</u>
			<u>10,801</u>
<u>Passed through Texas Education Agency:</u>			
Medicaid Administrative Claiming Program - MAC	93.778	06CH7152-06-00	<u>37,770</u>
Total Passed through Texas Education Agency			<u>37,770</u>
Total U. S. Department of Health and Human Services			<u>521,181</u>
Total Expenditures of Federal Awards			<u>\$ 5,627,462</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2021

1. GENERAL

The Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all applicable federal award programs of Brownwood Independent School District. The District's reporting entity is defined in Note I of the financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the SEFA.

2. BASIS OF ACCOUNTING

The SEFA is presented using the modified accrual basis of accounting. The District's significant accounting policies, including the modified accrual basis of accounting, are presented in Note 1 of the basic financial statements. The SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

3. PASS-THROUGH EXPENDITURES

None of the federal programs expended by the District were provided to subrecipients.

4. INDIRECT COSTS

The District did not elect to use a de minimis cost rate of 10% as described at 2 CFR §200.414(f)—Indirect (F&A) costs.

5. RECONCILIATION OF FEDERAL REVENUES AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal revenues per the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds (Exhibit C-3)	\$ 7,639,624
Less:	
School Health And Related Services	614,273
ESSER II - Expenditures incurred in current year but funds not awarded until next fiscal year	<u>1,397,889</u>
Federal expenditures per the Schedule of Expenditures of Federal Awards (Exhibit K-1)	<u>\$ 5,627,462</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2021

Summary of Auditor's Results

Financial Statements:

Type of auditors' report issued	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Material noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None
--	------

Identification of major programs:

Assistance Listing Number(s): 10.553, 10.555 84.010A 84.425	Name of Federal Program or Cluster: Child Nutrition Cluster Title I, Part A ESSER
--	--

Dollar threshold used to distinguish between type A and type B programs	\$750,000
---	-----------

Auditee qualified as low-risk auditee?	No
--	----

Findings Relating to the Financial Statements

Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

2021-001

Findings and Questioned Costs for Federal Awards

None reported

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

AUGUST 31, 2021

Item 2021-001

Criteria: Non-federal entities should follow best practices for internal controls as adapted in *Standards for Internal Control in the Federal Government* (the "Green Book") or some other accepted internal control framework. These frameworks provide criteria for designing, implementing, and operating an effective internal control system.

Condition: The District identified an error in its operating account bank reconciliation during the 2021 fiscal year, which caused an overstatement of the cash balance in that account.

Cause: Although the District's current business office management has implemented strong internal controls over the bank reconciliation process, the internal controls prior to March 2020 were not designed such that they would detect an error in a timely manner.

Effect: The District's operating account was overstated by a material amount.

Recommendation: The District should maintain the internal controls governing the bank reconciliation process to ensure timely and accurate preparation of those reconciliations.

Management's Response: Management agrees with the auditor's finding and recommendation. The District has developed the following corrective action plan to strengthen internal controls governing the procurement process.

District management implemented a plan for reconciliations to be completed by the District's accounting staff, reviewed and initialed by District management to ensure reconciliations are accurate and completed in a timely manner.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2021

Item 2020-001

Federal Program: U.S. Department of Education
Passed through the Texas Education Agency:
Title I, Part A – Improving Basic Programs
Assistance Listing Number 84.010A
Pass-through Numbers: 19610101025902, 20610101025902.

Criteria: Management of the District is responsible for designing and implementing effective internal controls over compliance to review and approve expenditure reimbursement requests prior to submission.

Condition: Management of the District failed to review and approve expenditure reimbursement requests for the Title I, Part A program for reimbursement requests submitted prior to March 2020. We tested reimbursement requests submitted prior to March 2020 and noted that while the requests were appropriately prepared and submitted, there was no evidence of review.

Cause: The District had not designed and implemented an effective review and approval process for reimbursement requests.

Effect: The lack of an effectively designed review and approval process for reimbursement requests increases the likelihood that a reimbursement request may not be accurately prepared.

Recommendation: Management of the District implemented a new process to review and approve reimbursement requests prior to submission and utilized it for all requests submitted subsequent to March 2020. No further action is recommended.

Current Status: This matter has been resolved. As of March 2020, management took corrective action by implementing a new process to review and approve reimbursement requests prior to submission.



BROWNWOOD INDEPENDENT SCHOOL DISTRICT
2707 Southside Drive
Brownwood, Texas 76801

CORRECTIVE ACTION PLAN 2021-001

AUGUST 31, 2021

January 10, 2022

Re: Management's Response and Corrective Action Plan to Item 2021-001

The District has developed the following corrective action plan to strengthen internal controls governing the procurement process.

District management implemented a plan for reconciliations to be completed by the District's accounting staff, reviewed and initialed by District management to ensure reconciliations are accurate and completed in a timely manner. This corrective action has been in effective since the beginning of the FY 21 fiscal year.

Respectfully Submitted,

Mitch Moore,
Business Manager

THIS PAGE LEFT BLANK INTENTIONALLY