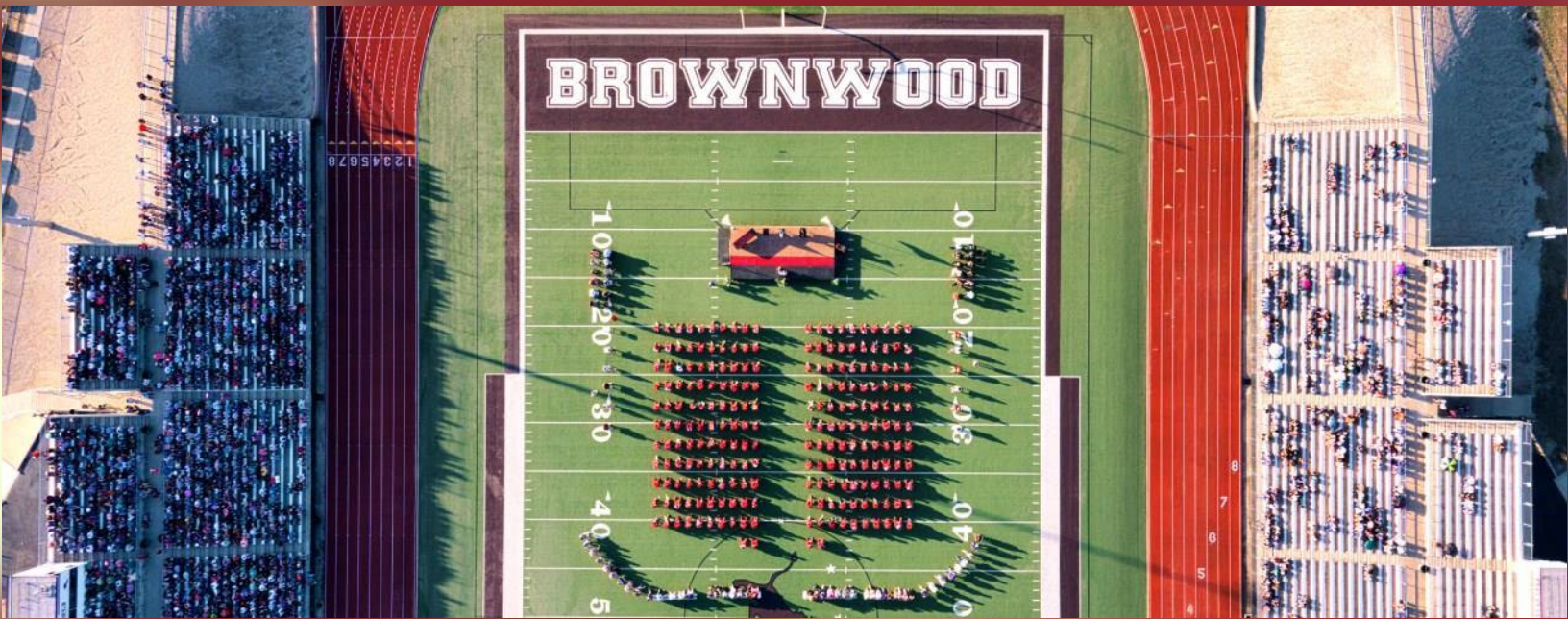


BROWNWOOD INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2023



Brownwood, Texas

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2023

Prepared by:
Brownwood ISD Business Office

Mitchell Moore
Assistant Superintendent
of Business and Finance

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2023

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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, 2022, at a meeting of the board of trustees of such school district on the 22nd day of January, 2024.



Signature of Board Secretary



Signature of Board President

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

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Brownwood Independent School District
Brownwood, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brownwood Independent School District (the "District"), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Brownwood Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

OFFICE LOCATIONS

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining statements, required TEA schedules and the Schedule of Expenditures of Federal Awards, as required by 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.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 22, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Waco, Texas
January 22, 2024

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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, 2023. Please read it in conjunction with the independent auditor's report, and the District's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows exceeded its liabilities and deferred inflows by \$6,380,770 (net position).
- The District's total combined governmental fund balances at August 31, 2023 were \$64,719,704 compared to \$9,495,525 at August 31, 2022.
- During the year, the District's revenues of \$47,359,019 generated from taxes, state funding, and other revenues for governmental activities, were \$359,474 less than the \$47,718,493 in expenses. The general fund revenues and other financing sources were less than expenditures by \$2,129,157. The debt service fund revenues were less than expenditures by \$1,215,825.
- The total cost of the District's programs increased approximately 15.9% versus the prior year. The District's revenues increased approximately 7.4% 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 \$1,418,892 less than the amended budget. Expenditures were \$69,986 less than the original budget.

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) provides 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 \$6,380,770 at August 31, 2023.

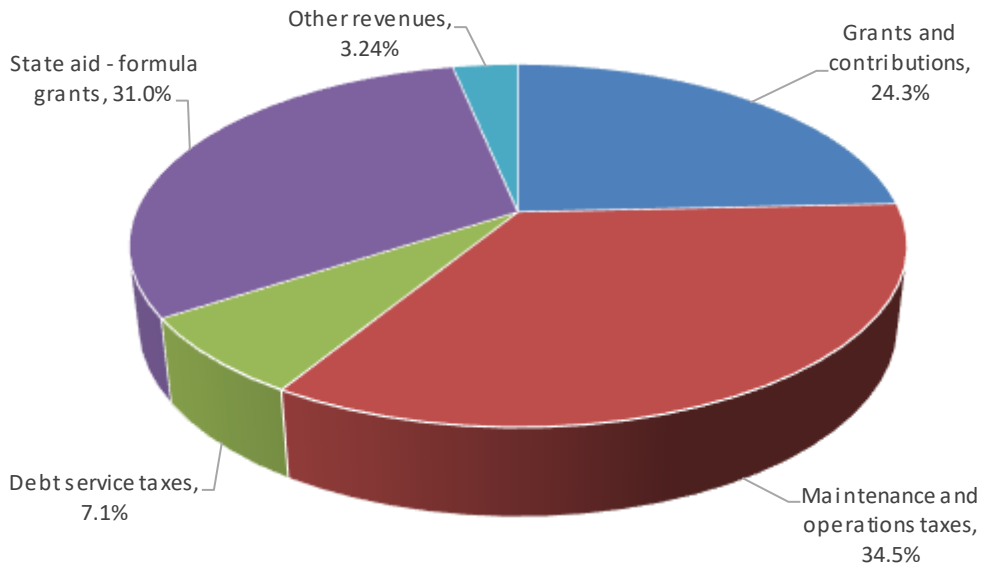
**TABLE 1
CONDENSED SCHEDULE OF NET POSITION**

	Governmental Activities	
	2023	2022
Assets:		
Current and other assets	\$ 68,083,706	\$ 11,947,915
Capital assets	34,805,265	34,565,409
Total assets	<u>102,888,971</u>	<u>46,513,324</u>
Deferred Outflows of Resources:	<u>9,232,334</u>	<u>5,511,317</u>
Liabilities:		
Long-term liabilities	90,654,514	30,410,160
Other liabilities	3,195,085	2,378,521
Total liabilities	<u>93,849,599</u>	<u>32,788,681</u>
Deferred Inflows of Resources:	<u>11,890,936</u>	<u>12,495,716</u>
Net position:		
Net investment in capital assets	20,357,139	16,458,532
Restricted	1,332,975	2,863,636
Unrestricted	<u>(15,309,344)</u>	<u>(12,581,924)</u>
Total net position	<u>\$ 6,380,770</u>	<u>\$ 6,740,244</u>

Changes in Net Position

During the year, net position of the District’s governmental activities decreased by \$359,474 to \$6,380,770. Unrestricted net position was a deficit \$15,309,344 at the end of this year.

The District’s total fiscal year 2023 revenues were \$47,359,019 at August 31, 2023. Approximately 41.5% of the District’s revenue came from property taxes, 31.0% 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 \$47,718,493 of which 52.2% was for direct instruction program costs compared to 54.3% 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 decreased the District's net position by \$359,474. Key elements of this change are as follows:

**TABLE 2
CHANGES IN NET POSITION**

	Governmental Activities	
	2023	2022
REVENUES		
Program revenues:		
Charges for services	\$ 834,033	\$ 734,620
Operating grants and contributions	10,969,701	10,257,978
Capital grants and contributions	516,290	-
General revenues:		
Maintenance and operations taxes	16,317,748	15,760,207
Debt service taxes	3,351,630	2,331,065
State aid - formula grants	14,669,208	14,804,636
Grants and contributions not restricted	42,820	30,470
Investment earnings	451,249	52,021
Miscellaneous local & intermediate revenue	206,340	137,138
Total revenues	<u>47,359,019</u>	<u>44,108,135</u>
EXPENSES		
Instruction	24,920,917	22,366,790
Instructional resources and media services	394,982	367,084
Curriculum and staff development	221,335	505,772
Instructional leadership	836,349	416,706
School leadership	1,777,619	1,672,030
Guidance, counseling, and evaluation services	2,282,962	1,536,971
Social work services	185,356	166,399
Health services	364,498	307,302
Student (pupil) transportation	1,093,251	987,805
Food service	3,082,561	2,097,886
Extracurricular activities	2,042,065	1,878,447
General administration	1,340,812	1,129,597
Facilities maintenance and operations	6,423,517	5,338,074
Security and monitoring services	329,504	177,315
Data processing services	1,154,854	1,214,385
Debt service - interest on long-term debt	721,427	459,990
Other intergovernmental charges	546,484	536,320
Total expenses	<u>47,718,493</u>	<u>41,158,873</u>
CHANGE IN NET POSITION	(359,474)	2,949,262
NET POSITION, BEGINNING	<u>6,740,244</u>	<u>3,790,982</u>
NET POSITION, ENDING	<u>\$ 6,380,770</u>	<u>\$ 6,740,244</u>

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

- The cost of all governmental activities in 2023 was \$47,718,493 compared to \$41,158,873 in the previous year.
- The amount that our local taxpayers paid for these activities through property taxes was \$19,669,378 for the 2023 year and \$18,091,272 for the 2022 year.

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

Revenues from governmental fund types totaled \$48,585,059. Local revenues increased by \$1,993,862 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 2023. State revenue increased \$1,470,424 due to an increase in state entitlements from prior year. Federal revenue decreased \$1,103,307, primarily due to the close out of federal funding for 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 were less than expenditures and other financing sources by -\$2,129,157 at August 31, 2023.

- State funding came in above budget by \$322,636 but local revenue was less than budgeted by \$1740,816.
- Total expenditures were less than budgeted by \$69,986

In the District’s child nutrition program, the final amended budget reflected a deficit budget. Actual results were a decrease of -\$336,259 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 decrease of revenues and other sources over expenditures and other uses of -\$1,215,825 versus the original balanced budget. This decrease was caused by a \$2,405,000 defeasance of the Series 2014 Unlimited Tax Refunding Bonds in the current fiscal year.

CAPITAL ASSET AND LONG-TERM LIABILITIES

Capital Assets

At the end of 2023, the District had invested \$87,743,844 in a broad range of capital assets, including land, construction in progress, buildings, furniture, and equipment, and right to use equipment. Accumulated depreciation on these assets was \$52,938,579 at year-end. The above included current-year capital asset additions of \$2,398,999.

	Governmental Activities	
	2023	2022
Land	\$ 384,828	\$ 384,828
Construction in progress	1,085,099	-
Buildings and improvements	77,809,960	77,809,960
Furniture and equipment	7,105,524	6,691,965
Right to use equipment	1,358,433	750,362
Less depreciation	<u>(52,938,579)</u>	<u>(51,071,706)</u>
Totals	<u>\$ 34,805,265</u>	<u>\$ 34,565,409</u>

Long-term Liabilities

At the end of 2023, the District’s long-term bonded debt consisted of the following:

	Governmental Activities	
	2023	2022
Unlimited Tax Refunding Bond, Series 2014	\$ 11,390,000	\$ 15,455,000
Unlimited Tax School Building Bonds, Series 2023	56,125,000	-
Unamortized premiums	<u>5,342,714</u>	<u>1,335,218</u>
Total bonds payable	<u>\$ 72,857,714</u>	<u>\$ 16,790,218</u>

At year-end the District had \$67,515,000 in bonds outstanding which represents an increase of \$52,060,000 since last year.

The District also reported of net pension liability of \$10,718,172 and net OPEB liability of \$6,222,333 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 increases in prices for consumer goods and property costs. The 2023-2024 appraised property values increased by approximately 7.6 %. Local revenue is expected to increase slightly with the increase in property tax revenue even with a decrease in the M&O tax rate and the increase in the Homestead Exemption. HB 3 changed the state funding calculations several years ago regulating the local tax rate for Maintenance and Operations. District enrollment remained consistent at the beginning of the 2023 – 2024 school year. State funding is based on attendance rates. The District expects to maintain attendance rates consistent with prior years with expectations to continue to improve overall attendance rates.

The Maintenance and Operations (M&O) tax rate decreased by \$0.1497 to \$0.7137 per \$100 valuation for the 2023 – 2024 school year. The Interest and Sinking (I&S) tax rate increased by \$0.1497 to \$0.3283 per \$100 valuation for the 2023 - 2024 school year. The overall tax rate of \$1.042 reflects no change for the 2023 – 2024 school year from the previous 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

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BROWNWOOD INDEPENDENT SCHOOL DISTRICT

EXHIBIT A-1

STATEMENT OF NET POSITION

AUGUST 31, 2023

Data Control Codes		Governmental Activities
ASSETS		
1110	Cash and cash equivalents	\$ 65,431,635
1220	Property taxes receivable (delinquent)	612,560
1230	Allowance for uncollectible taxes	(348,061)
1240	Due from other governments	2,385,865
1290	Other receivables	1,707
	Capital assets:	
1510	Land	384,828
1520	Buildings and improvements, net	30,766,104
1530	Furniture and equipment, net	1,726,958
1550	Right to use equipment, net	842,276
1580	Construction in progress	1,085,099
1000	Total assets	<u>102,888,971</u>
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred outflows related to NPL	6,310,233
1706	Deferred outflows related to OPEB	2,922,101
1700	Total deferred outflows of resources	<u>9,232,334</u>
LIABILITIES		
2110	Accounts payable	816,624
2140	Interest payable	35,989
2150	Payroll withholdings and deductions	343,984
2160	Accrued wages payable	1,813,739
2200	Accrued expenses	157,531
2300	Unearned revenue	27,218
	Noncurrent liabilities:	
2501	Due within one year	
	Long-term debt	3,137,353
2502	Due in more than one year	
	Long-term debt	70,576,656
2540	Net pension liability	10,718,172
2545	Net OPEB liability	6,222,333
2000	Total liabilities	<u>93,849,599</u>
DEFERRED INFLOWS OF RESOURCES		
2601	Deferred gain on refunding	500,988
2605	Deferred inflows related to NPL	811,374
2606	Deferred inflows related to OPEB	10,578,574
2600	Total deferred inflows of resources	<u>11,890,936</u>
NET POSITION		
3200	Net investment in capital assets	20,357,139
	Restricted:	
3820	Restricted for federal and state programs	834,500
3850	Restricted for debt service	498,475
3900	Unrestricted	(15,309,344)
3000	Total net position	<u>\$ 6,380,770</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, 2023

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues	
			3 Charges for Services	4 Operating Grants and Contributions
Primary government:				
Governmental activities:				
11	Instruction	\$ 24,920,917	\$ 40,110	\$ 4,377,259
12	Instructional resources and media services	394,982	-	18,250
13	Curriculum and staff development	221,335	-	116,441
21	Instructional leadership	836,349	-	81,117
23	School leadership	1,777,619	-	69,916
31	Guidance, counseling, and evaluation services	2,282,962	-	1,293,431
32	Social work services	185,356	-	188,121
33	Health services	364,498	-	71,819
34	Student (pupil) transportation	1,093,251	-	1,844
35	Food service	3,082,561	415,001	2,200,838
36	Extracurricular activities	2,042,065	348,922	51,159
41	General administration	1,340,812	-	40,509
51	Facilities maintenance and operations	6,423,517	30,000	1,929,935
52	Security and monitoring services	329,504	-	158,006
53	Data processing services	1,154,854	-	247,837
72	Debt Service - interest on long-term debt	721,427	-	123,219
99	Other intergovernmental charges	546,484	-	-
TP	Total primary government	<u>\$ 47,718,493</u>	<u>\$ 834,033</u>	<u>\$ 10,969,701</u>
General revenues:				
Taxes:				
MT	Property taxes, levied for general purposes			
DT	Property taxes, levied for debt service			
SF	State aid - formula grants			
GC	Grants and contributions not restricted			
IE	Investment earnings			
MI	Miscellaneous local and intermediate revenue			
TR	Total general revenues			
CN	Change in net position			
NB	Net position, beginning			
NE	Net position, ending			

Program Revenues	Net (Expense) Revenue and Changes in Net Position
5	6
Capital Grants and Contributions	Primary Gov. Governmental Activities
\$ -	\$ (20,503,548)
-	(376,732)
-	(104,894)
-	(755,232)
-	(1,707,703)
-	(989,531)
-	2,765
-	(292,679)
516,290	(575,117)
-	(466,722)
-	(1,641,984)
-	(1,300,303)
-	(4,463,582)
-	(171,498)
-	(907,017)
-	(598,208)
-	(546,484)
<u>\$ 516,290</u>	<u>(35,398,469)</u>

16,317,748
3,351,630
14,669,208
42,820
451,249
<u>206,340</u>
<u>35,038,995</u>
(359,474)
<u>6,740,244</u>
<u>\$ 6,380,770</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

AUGUST 31, 2023

Data Control Codes		10	50	60
		General	Debt Service	Capital Projects
ASSETS				
1110	Cash and cash equivalents	\$ 4,430,058	\$ 644,327	\$ 59,212,749
1220	Property taxes - delinquent	512,910	99,650	-
1230	Allowance for uncollectible taxes	(291,439)	(56,622)	-
1240	Due from other governments	1,309,984	-	-
1260	Due from other funds	828,938	-	-
1290	Other receivables	36	-	-
1000	Total assets	<u>6,790,487</u>	<u>687,355</u>	<u>59,212,749</u>
LIABILITIES				
2110	Accounts payable	134,090	-	302,173
2150	Payroll withholdings and deductions	343,984	-	-
2160	Accrued wages payable	1,691,278	-	-
2170	Due to other funds	-	130,000	-
2200	Accrued expenses	137,033	-	-
2300	Unearned revenue	-	22,891	-
2000	Total liabilities	<u>2,306,385</u>	<u>152,891</u>	<u>302,173</u>
DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable revenue - property taxes	163,608	41,298	-
2600	Total deferred inflows of resources	<u>163,608</u>	<u>41,298</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	Federal or state funds grant restriction	-	-	-
3470	Construction	-	-	58,910,576
3480	Retirement of long-term debt	-	493,166	-
3545	Committed for campus activity	-	-	-
3600	Unassigned fund balance	4,320,494	-	-
3000	Total fund balances	<u>4,320,494</u>	<u>493,166</u>	<u>58,910,576</u>
4000	Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,790,487</u>	<u>\$ 687,355</u>	<u>\$ 59,212,749</u>

Other Funds	Total Governmental Funds
\$ 1,144,501	\$ 65,431,635
-	612,560
-	(348,061)
1,075,881	2,385,865
-	828,938
<u>1,671</u>	<u>1,707</u>
<u>2,222,053</u>	<u>68,912,644</u>
380,361	816,624
-	343,984
122,461	1,813,739
698,938	828,938
20,498	157,531
<u>4,327</u>	<u>27,218</u>
<u>1,226,585</u>	<u>3,988,034</u>
<u>-</u>	<u>204,906</u>
<u>-</u>	<u>204,906</u>
834,500	834,500
-	58,910,576
-	493,166
160,968	160,968
<u>-</u>	<u>4,320,494</u>
<u>995,468</u>	<u>64,719,704</u>
\$ <u>2,222,053</u>	\$ <u>68,912,644</u>

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BROWNWOOD INDEPENDENT SCHOOL DISTRICTRECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION

AUGUST 31, 2023

Total fund balances - governmental funds	\$ 64,719,704
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	34,805,265
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.	(74,250,986)
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	(811,374)
Deferred outflows of resources - NPL related	6,310,233
Net pension liability	(10,718,172)
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	(10,578,574)
Deferred outflows of resources - OPEB related	2,922,101
Net OPEB liability	(6,222,333)
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>204,906</u>
19 Net position of governmental activities	<u>\$ 6,380,770</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		10 <u>General</u>	50 Debt Service	60 Capital Projects
REVENUES				
5700	Local and intermediate sources	\$ 16,900,602	\$ 3,438,738	\$ 69,727
5800	State program revenues	17,221,067	123,219	-
5900	Federal program revenues	<u>649,288</u>	<u>-</u>	<u>-</u>
5020	Total revenues	<u>34,770,957</u>	<u>3,561,957</u>	<u>69,727</u>
EXPENDITURES				
Current:				
0011	Instruction	21,911,576	-	-
0012	Instructional resources and media services	394,788	-	-
0013	Curriculum and instructional staff development	112,410	-	-
0021	Instructional leadership	843,113	-	-
0023	School leadership	1,808,413	-	-
0031	Guidance, counseling, and evaluation services	1,186,622	-	-
0032	Social work services	-	-	-
0033	Health services	319,251	-	-
0034	Student (pupil) transportation	1,639,300	-	-
0035	Food service	126,350	-	-
0036	Extracurricular activities	1,609,585	-	-
0041	General administration	1,234,715	-	24,202
0051	Facilities maintenance and operations	3,751,204	-	-
0052	Security and monitoring services	161,867	-	-
0053	Data processing services	978,470	-	-
Debt Service:				
0071	Principal on long-term debt	263,767	4,065,000	-
0072	Interest on long-term debt	12,049	681,113	-
0073	Bond issuance cost & fees	-	31,701	553,053
0081	Capital outlay	497,007	-	1,084,949
0099	Intergovernmental	<u>546,484</u>	<u>-</u>	<u>-</u>
6030	Total expenditures	<u>37,396,971</u>	<u>4,777,814</u>	<u>1,662,204</u>
1100	EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,626,014)</u>	<u>(1,215,857)</u>	<u>(1,592,477)</u>
OTHER FINANCING SOURCES (USES)				
7911	Issuance of bonds	-	-	56,125,000
7913	Issuance of right to use leased assets	496,857	-	-
7916	Premium on issuance of bonds	<u>-</u>	<u>32</u>	<u>4,378,053</u>
7080	Total other financing sources (uses)	<u>496,857</u>	<u>32</u>	<u>60,503,053</u>
1200	NET CHANGE IN FUND BALANCES	(2,129,157)	(1,215,825)	58,910,576
0100	FUND BALANCES, BEGINNING	<u>6,449,651</u>	<u>1,708,991</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ 4,320,494</u>	<u>\$ 493,166</u>	<u>\$ 58,910,576</u>

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

Other Funds	Total Governmental Funds
\$ 650,319	\$ 21,059,386
964,598	18,308,884
<u>8,567,501</u>	<u>9,216,789</u>
<u>10,182,418</u>	<u>48,585,059</u>
3,513,696	25,425,272
11,497	406,285
110,856	223,266
21,043	864,156
34,623	1,843,036
1,141,692	2,328,314
188,121	188,121
63,856	383,107
-	1,639,300
2,940,473	3,066,823
219,966	1,829,551
24,939	1,283,856
1,816,010	5,567,214
257,599	419,466
179,462	1,157,932
-	4,328,767
-	693,162
-	584,754
-	1,581,956
-	546,484
<u>10,523,833</u>	<u>54,360,822</u>
<u>(341,415)</u>	<u>(5,775,763)</u>
-	56,125,000
-	496,857
-	4,378,085
<u>-</u>	<u>60,999,942</u>
(341,415)	55,224,179
<u>1,336,883</u>	<u>9,495,525</u>
<u>\$ 995,468</u>	<u>\$ 64,719,704</u>

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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, 2023

Net change in fund balances - total governmental funds	\$ 55,224,179
 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.	239,856
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	101,614
 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.	(56,114,686)
 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 \$772,660. 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 \$843,042. 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 \$909,095. The net result is a decrease in the change in net position.	(979,477)
 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 \$367,691. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling \$213,442. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$609,742. The net result is an increase in the change in net position.	<u>1,169,040</u>
 Change in net position of governmental activities	<u>\$ (359,474)</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

EXHIBIT E-1

STATEMENT OF FIDUCIARY NET POSITION

AUGUST 31, 2023

	<u>Custodial Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>354,873</u>
Total assets	<u>354,873</u>
LIABILITIES	<u>-</u>
NET POSITION	
Restricted for student groups	<u>354,873</u>
Total net position	\$ <u><u>354,873</u></u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED AUGUST 31, 2023

	Custodial Fund
	<u> </u>
ADDITIONS	
Collections from student groups	\$ 412,855
Total additions	<u>412,855</u>
DEDUCTIONS	
Payments on-behalf of student groups	<u>417,847</u>
Total deductions	<u>417,847</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	(4,992)
NET POSITION, BEGINNING	<u>359,865</u>
NET POSITION, ENDING	\$ <u>354,873</u>

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BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

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 **Debt Service Fund**, a governmental fund type, accounts for financial resources that are restricted, committed or assigned to expenditures for principal and interest on long-term debt of governmental activities.
- The **Capital Projects Fund**, a governmental fund type, accounts for proceeds from the sale of bonds and other revenues to be used for authorized construction and other capital asset acquisitions.

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.

Texpool has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the even of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

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, construction in progress, buildings, furniture and equipment, and right to use 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, and right to use equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	30 - 45
Furniture and equipment	5 - 20
Right to use equipment	5

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. Leases

The District is a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long term debt on the statement of net position.

6. *Defined Benefit Pension 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.

7. *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.

8. *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.

9. 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 assigned fund balance amounts.

10. 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.

11. 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.

12. 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.

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 database 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, 2023 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, 2023, 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, 2023, is shown below:

<u>Name</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
TexPool	\$ <u>62,780,555</u>	23	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 (to) Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2023, are summarized below.

Fund	Federal Grants	State Allotment	Total
General Fund	\$ -	\$ 1,309,984	\$ 1,309,984
Nonmajor Governmental	<u>1,075,881</u>	<u>-</u>	<u>1,075,881</u>
Total	<u>\$ 1,075,881</u>	<u>\$ 1,309,984</u>	<u>\$ 2,385,865</u>

C. Interfund Balances

The composition of interfund balances as of August 31, 2023, consisted of the following:

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 130,000
General	Nonmajor governmental	<u>698,938</u>
Total		<u>\$ 828,938</u>

D. Capital Assets

Capital asset activity for the year ended August 31, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 384,828	\$ -	\$ -	\$ 384,828
Construction in progress	-	1,085,099	-	1,085,099
Total capital assets, not being depreciated	384,828	1,085,099	-	1,469,927
Capital assets, being depreciated:				
Buildings and improvements	77,809,960	-	-	77,809,960
Furniture and equipment	6,691,965	705,829	(292,270)	7,105,524
Right to use equipment	750,362	608,071	-	1,358,433
Total capital assets, being depreciated	85,252,287	1,313,900	(292,270)	86,273,917
Less accumulated depreciation for:				
Buildings and improvements	(45,564,771)	(1,479,085)	-	(47,043,856)
Furniture and equipment	(5,351,977)	(318,859)	292,270	(5,378,566)
Right to use equipment	(154,958)	(361,199)	-	(516,157)
Total accumulated depreciation	(51,071,706)	(2,159,143)	292,270	(52,938,579)
Total capital assets, being depreciated, net	34,180,581	(845,243)	-	33,335,338
Governmental activities capital assets, net	\$ 34,565,409	\$ 239,856	\$ -	\$ 34,805,265

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

Governmental activities:		
Instruction		\$ 691,146
Instructional resources and media services		4,425
Instructional leadership		7,224
School leadership		19,674
Guidance, counseling and evaluation services		30,025
Student (pupil) transportation		116,635
Food services		17,725
Co-curricular/extracurricular activities		212,584
General administration		96,688
Facilities maintenance and operations		952,487
Security monitoring services		9,941
Data processing services		589
Total depreciation expense - governmental activities		\$ 2,159,143

E. Long-term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due in One Year
Long-term debt					
Bonds payable	\$ 15,455,000	\$ 56,125,000	\$ 4,065,000	\$ 67,515,000	\$ 2,870,000
Unamortized premium	1,335,218	4,378,085	370,589	5,342,714	-
Leases payable	623,205	496,857	263,767	856,295	267,353
Subtotal	17,413,423	60,999,942	4,699,356	73,714,009	3,137,353
Pension & OPEB					
Net pension liability	3,706,202	7,854,421	842,451	10,718,172	-
Net OPEB liability	9,290,535	(2,854,760)	213,442	6,222,333	-
Subtotal	12,996,737	4,999,661	1,055,893	16,940,505	-
Total	\$ 30,410,160	\$ 65,999,603	\$ 5,755,249	\$ 90,654,514	\$ 3,137,353

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, 2023 are as follows:

Description	Interest Rate Payable	Amounts Original Issue	Payable Amounts Outstanding Beginning	Issued	Retired	Payable Amounts Outstanding Ending
Unlimited Tax Refunding						
Bonds, Series 2014	3.25-5.00%	\$ 26,000,000	\$ 15,455,000	\$ -	\$ 4,065,000	\$ 11,390,000
Unlimited Tax School Building						
Bonds, Series 2023	4.00-5.00%	<u>56,125,000</u>	<u>-</u>	<u>56,125,000</u>	<u>-</u>	<u>56,125,000</u>
Totals		<u>\$ 82,125,000</u>	<u>\$ 15,455,000</u>	<u>\$ 56,125,000</u>	<u>\$ 4,065,000</u>	<u>\$ 67,515,000</u>

The future debt service requirements are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2024	\$ 2,870,000	\$ 3,028,078	\$ 5,898,078
2025	1,955,000	3,030,350	4,985,350
2026	2,140,000	2,946,350	5,086,350
2027	2,285,000	2,857,788	5,142,788
2028	2,440,000	2,752,350	5,192,350
2029-2033	14,210,000	11,747,750	25,957,750
2034-2038	18,260,000	7,713,000	25,973,000
2039-2043	<u>23,355,000</u>	<u>2,627,025</u>	<u>25,982,025</u>
Total	<u>\$ 67,515,000</u>	<u>\$ 36,702,691</u>	<u>\$ 104,217,691</u>

During fiscal year 2023, the District issued Unlimited Tax School Building Bonds, Series 2023 in the amount of \$56,125,000. Principal and interest payments will be made each February 15th and August 15th which will mature on February 15, 2043. Proceeds from the sale of the bonds will be used for construction and renovation projects as well as acquiring school equipment.

The District authorized the partial redemption and defeasance for the Unlimited Tax Refunding Bonds, Series 2014, dated August 25, 2014, in the original principal amount of \$26,000,000 and stated to mature on February 15 in each of the years 2029 (partial defeasance) and 2030 (full defeasance) in the principal amounts of \$150,000 and \$2,255,000, respectively, and subject to redemption on February 15, 2024.

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, 2023.

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.

Leases Payable

The District has entered into 4 lease agreements for copier equipment, phone system, and a postage machine. The lease terms are 60 months, carry interest rates between 0.363% and 1.335%. The leases mature in fiscal years 2023 through 2028. Current year interest payments were \$12,049.

Principal and interest requirements to maturity are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2024	\$ 267,353	\$ 9,002	\$ 276,355
2025	270,456	5,899	276,355
2026	273,595	2,759	276,354
2027	44,352	103	44,455
2028	539	-	539
Total	\$ 856,295	\$ 17,763	\$ 874,058

F. 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.

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

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

	Contribution Rates	
	2021	2022
Active Employee	7.7%	8.00%
Non-Employer Contributing Entity (State)	7.5%	8.00%
Employers	7.5%	8.00%
Current fiscal year employer contributions		\$ 772,660
Current fiscal year member contributions		2,041,801
2022 measurement year NECE on-behalf contributions		1,283,006

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 1.6 percent of the member's salary beginning in fiscal year 2021, 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, 2021 actuarial valuation was rolled forward to August 31, 2022, and was determined using the following actuarial assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2022	3.91%
Inflation	2.30%
Salary increases including inflation	2.95% to 8.95% including inflation
Ad hoc post-employment benefit changes	None

The actuarial assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2021. For a full description of these assumptions, please see the actuarial valuation report dated November 12, 2021.

Discount Rate. A single discount rate of 7.00 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 7.00 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

The long-term rate of return on pension plan investments is 7.00%. 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, 2022 are summarized below:

Asset Class ¹	Target Allocation ²	Long-Term Expected Geometric Real Rate of Return ³	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	4.60%	1.12%
Non-U.S. Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.40%	0.75%
Private Equity	14.00%	7.70%	1.55%
Stable Value			
Government Bonds	16.00%	1.00%	0.22%
Absolute Return	0.00%	3.70%	0.00%
Stable Value Hedge Funds	5.00%	3.40%	0.18%
Real Return			
Real Estate	15.00%	4.10%	0.94%
Energy, Natural Resources and Infrastructure	6.00%	5.10%	0.37%
Commodities	0.00%	3.60%	0.00%
Risk Parity	8.00%	4.60%	0.43%
Asset Allocation Leverage			
Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	-6.00%	3.60%	-0.05%
Inflation Expectation			2.70%
Volatility Drag ⁴			-0.91%
Expected Return	100.00%		8.21%

¹ Absolute Return includes Credit Sensitive Investments.

² Target allocations are based on the FY2022 policy model.

³ Capital Market Assumptions come from Aon Hewitt (as of 8/31/2022)

⁴ The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis. The following table presents the Net Pension Liability of the plan using the discount rate of 7.00 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Proportionate share of the net pension liability:	\$ 16,673,412	\$ 10,718,172	\$ 5,891,171

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2023 the District reported a liability of \$10,718,172 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	\$	10,718,172
State's proportionate share that is associated with the District		<u>16,323,178</u>
Total	\$	<u>27,041,350</u>

The net pension liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's portion 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, 2021 thru August 31, 2022.

At August 31, 2022 the employer's proportion of the collective net pension liability was 0.0180539606% which was an increase of 0.0035006931% from its proportion measured as of August 31, 2021.

For the year ended August 31, 2023, the District recognized pension expense of \$3,312,448 and revenue of \$1,560,311 for support provided by the State.

At August 31, 2023, 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	\$ 155,413	\$ 233,676
Changes in actuarial assumptions	1,997,144	497,744
Difference between projected and actual investment earnings	1,058,921	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,326,095	79,954
Contributions paid to TRS subsequent to the measurement date	<u>772,660</u>	<u>-</u>
Total as of fiscal year-end	<u>\$ 6,310,233</u>	<u>\$ 811,374</u>

\$772,660 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total Pension Liability for the year ending August 31, 2024. Other 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
<u>2024</u>	\$ 1,228,285
2025	901,815
2026	672,151
2027	1,574,646
2028	349,302

G. 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. Detailed 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 http://www.trs.texas.gov/Pages/about_publications.aspx; 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 Premium Rates	
	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	
	2022	2023
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		\$ 367,691
Current fiscal year member contributions		165,897
2022 measurement year NECE on-behalf contributions		260,366

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.

Actuarial Assumptions. The total OPEB liability in the August 31, 2021 was rolled forward to August 31, 2022.

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, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2022.

Rates of Mortality	Rates of Disability Incidence
Rates of Retirement	General Inflation
Rates of Termination	Wage Inflation

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates 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 mortality projection scale MP-2018.

Additional Actuarial Methods and Assumptions

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	3.91% as of August 31, 2022
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	4.30% to 8.25%
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 3.91 percent was used to measure the Total OPEB Liability. There was a decrease of 1.96 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2021 using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

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 1.95% in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate 2.91%	Discount Rate 3.91%	1% Increase in Discount Rate 4.91%
Proportionate share of net OPEB liability	\$ 7,336,624	\$ 6,222,333	\$ 5,319,614

Healthcare Cost Trend Rates Sensitivity Analysis. The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease in Healthcare Trend rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend rate
Proportionate share of net OPEB liability	\$ 5,127,231	\$ 6,222,333	\$ 7,641,993

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2023, the District reported a liability of \$6,222,333 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	\$ 6,222,333
State's proportionate share that is associated with the District	<u>7,590,269</u>
Total	<u>\$ 13,812,602</u>

The Net OPEB Liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's portion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2021 thru August 31, 2022.

At the August 31, 2022 measurement date, the District's proportion of the collective Net OPEB Liability was 0.0259870194%, which was an increase of 0.0019023459% from its proportion measured as of August 31, 2021.

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 2.33 percent as of August 31, 2021 to 3.91 percent as of August 31, 2022. This change decreased the Total OPEB Liability.

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

For the year ended August 31, 2023, the District recognized OPEB expense of (\$1,878,469) and revenue of \$(1,077,120) for support provided by the State.

At August 31, 2023, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 345,940	\$ 5,183,762
Changes in actuarial assumptions	947,785	4,322,907
Differences between projected and actual investment earnings	18,535	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,242,150	1,071,905
Contributions paid to TRS subsequent to the measurement date	<u>367,691</u>	<u>-</u>
Total as of fiscal year-end	<u>\$ 2,922,101</u>	<u>\$ 10,578,574</u>

\$367,691 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending August 31, 2024. Other amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the Year Ended August 31,</u>	<u>OPEB Expense</u>
2024	\$ (1,510,199)
2025	(1,510,132)
2026	(1,246,264)
2027	(889,034)
2028	(1,055,731)
Thereafter	(1,812,804)

H. Active Employee Health Care Coverage

During the year ended August 31, 2023, 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.

I. 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 \$134,947 , \$92,108, and \$101,322 for the years ended August 31, 2023, 2022 and 2021, respectively.

J. 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, 2023, 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.

K. 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 2023, 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.

L. Shared Service Arrangements

The District participates in a shared service arrangement for Title III LEP funding year 2022-2023 with thirty-seven other school districts. Although 8.42% of the activity of the shared service arrangement is attributable to the District’s participation, the District does not account for revenues or expenditures in this program. The District neither has a joint ownership interest in capital assets purchased by the fiscal agent, Education Service Center Region 15, nor does the District have a net equity interest in the exigencies that would give rise to a future additional benefit or burden. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Presented below are the revenue and expenditures attributable to the District’s participation.

Revenues:	
Revenue distributed by TEA	\$ 11,260
Total	<u>11,260</u>
Expenditures:	
Consulting services	4,723
Supplies & materials	5,646
Other	<u>891</u>
Total	\$ <u>11,260</u>

The District participates in a shared service arrangement for ARP Homeless II funding year 2022-2023 with thirty-four other school districts. Although 9.73% of the activity of the shared service arrangement is attributable to the District’s participation, the District does not account for revenues or expenditures in this program. The District neither has a joint ownership interest in capital assets purchased by the fiscal agent, Education Service Center Region 15, nor does the District have a net equity interest in the exigencies that would give rise to a future additional benefit or burden. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Presented below are the revenue and expenditures attributable to the District’s participation.

Revenues:	
Revenue distributed by TEA	\$ 9,711
Total	<u>9,711</u>
Expenditures:	
Consulting services	5,685
Supplies & materials	3,004
Other	<u>1,022</u>
Total	\$ <u>9,711</u>

M. New Accounting Standards

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

GASB Statement No. 99, *Omnibus 2022* – The objective of this Statement is to correct practice issues identified during implementation and application of certain GASB Statements and financial reporting for financial guarantees. There are various effective dates 1.) upon issuance 2.) fiscal years beginning after June 15, 2022 and 3.) fiscal years beginning after June 15, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62* – The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

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BROWNWOOD INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and intermediate sources	\$ 18,641,418	\$ 18,641,418	\$ 16,900,602	\$ (1,740,816)
5800	State program revenues	16,898,431	16,898,431	17,221,067	322,636
5900	Federal program revenues	<u>650,000</u>	<u>650,000</u>	<u>649,288</u>	<u>(712)</u>
5020	Total revenues	<u>36,189,849</u>	<u>36,189,849</u>	<u>34,770,957</u>	<u>(1,418,892)</u>
EXPENDITURES					
Current:					
0011	Instruction	22,061,317	21,946,563	21,911,576	34,987
0012	Instructional resources and media sources	400,686	394,788	394,788	-
0013	Curriculum and instructional staff development	117,091	112,420	112,410	10
0021	Instructional leadership	839,463	843,113	843,113	-
0023	School leadership	1,839,532	1,808,430	1,808,413	17
0031	Guidance, counseling, and evaluation services	1,178,090	1,180,017	1,186,622	(6,605)
0033	Health services	377,657	376,277	319,251	57,026
0034	Student (pupil) transportation	933,000	1,639,300	1,639,300	-
0035	Food services	90,801	126,350	126,350	-
0036	Extracurricular activities	1,676,034	1,594,103	1,609,585	(15,482)
0041	General administration	1,328,951	1,234,715	1,234,715	-
0051	Facilities maintenance and operations	3,669,176	3,751,204	3,751,204	-
0052	Security and monitoring services	170,900	161,900	161,867	33
0053	Data processing services	972,151	978,470	978,470	-
Debt Service:					
0071	Principal on long-term debt	-	263,767	263,767	-
0072	Interest on long-term debt	-	12,049	12,049	-
0081	Capital outlay	-	497,007	497,007	-
0099	Intergovernmental	<u>535,000</u>	<u>546,484</u>	<u>546,484</u>	<u>-</u>
6030	Total expenditures	<u>36,189,849</u>	<u>37,466,957</u>	<u>37,396,971</u>	<u>69,986</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES		-	(1,277,108)	(2,626,014)	(1,488,878)
OTHER FINANCING SOURCES (USES)					
7913	Issuance of right to use leased assets	-	<u>496,857</u>	<u>496,857</u>	-
	Total other financing sources (uses)	-	<u>496,857</u>	<u>496,857</u>	-
1200	NET CHANGE IN FUND BALANCES	-	(780,251)	(2,129,157)	(1,348,906)
0100	FUND BALANCE, BEGINNING	<u>6,449,651</u>	<u>6,449,651</u>	<u>6,449,651</u>	-
3000	FUND BALANCES, ENDING	<u>\$ 6,449,651</u>	<u>\$ 5,669,400</u>	<u>\$ 4,320,494</u>	<u>\$ (1,348,906)</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, 2023

Plan Year Ended August 31,	<u>2022</u>	<u>2021</u>	<u>2020</u>
District's proportion of the net pension liability (asset)	0.018054%	0.014553%	0.014640%
District's proportionate share of the net pension liability (asset)	\$ 10,718,172	\$ 3,706,202	\$ 7,840,672
State's proportionate share of the net pension liability (asset) associated with the District	<u>16,323,178</u>	<u>8,048,409</u>	<u>17,083,732</u>
Total	<u>\$ 27,041,350</u>	<u>\$ 11,754,611</u>	<u>\$ 24,924,404</u>
District's covered payroll	\$ 24,326,123	\$ 22,031,263	\$ 21,654,544
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	44.06%	16.82%	36.21%
Plan fiduciary net position as a percentage of the total pension liability	75.62%	88.79%	75.54%

Note: This schedule is required to have 10 years of information, but the information prior to year ended 2014 is not available.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.010013%	0.010042%	0.010597%	0.010253%	0.011369%	0.011465%
\$ 5,205,173	\$ 5,527,367	\$ 3,388,244	\$ 3,874,352	\$ 4,018,649	\$ 3,062,353
<u>15,214,751</u>	<u>16,473,125</u>	<u>9,497,948</u>	<u>11,718,632</u>	<u>11,349,693</u>	<u>10,270,179</u>
<u>\$ 20,419,924</u>	<u>\$ 22,000,492</u>	<u>\$ 12,886,192</u>	<u>\$ 15,592,984</u>	<u>\$ 15,368,342</u>	<u>\$ 13,332,532</u>
\$ 20,575,746	\$ 19,977,546	\$ 19,380,101	\$ 19,038,726	\$ 18,801,191	\$ 18,431,472
25.30%	27.67%	17.48%	20.35%	21.37%	16.61%
75.24%	73.74%	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, 2023

Fiscal Year Ended August 31,	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 772,660	\$ 843,042	\$ 519,735
Contributions in relation to the contractually required contribution	<u>(772,660)</u>	<u>(843,042)</u>	<u>(519,735)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 25,522,517	\$ 24,326,123	\$ 22,031,254
Contribution as a percentage of covered payroll	3.03%	3.47%	2.36%

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

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 604,034	\$ 350,474	\$ 338,610	\$ 347,297	\$ 325,755	\$ 290,661
<u>(604,034)</u>	<u>(350,474)</u>	<u>(338,610)</u>	<u>(347,297)</u>	<u>(325,755)</u>	<u>(286,048)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,613
\$ 21,654,559	\$ 20,575,746	\$ 19,977,546	\$ 19,380,101	\$ 19,038,726	\$ 18,801,191
2.79%	1.70%	1.69%	1.79%	1.71%	1.52%

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED AUGUST 31, 2023

Plan Year Ended August 31,	<u>2022</u>	<u>2021</u>	<u>2020</u>
District's proportion of the net OPEB liability (asset)	0.025987%	0.024085%	0.024987%
District's proportionate share of the net OPEB liability (asset)	\$ 6,222,333	\$ 9,290,535	\$ 9,498,554
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>7,590,269</u>	<u>12,447,246</u>	<u>12,763,780</u>
Total	<u>\$ 13,812,602</u>	<u>\$ 21,737,781</u>	<u>\$ 22,262,334</u>
District's covered employee payroll	\$ 23,414,180	\$ 23,414,180	\$ 22,031,215
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	26.58%	39.68%	43.11%
Plan fiduciary net position as a percentage of the total OPEB liability	11.52%	6.18%	4.99%

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

<u>2019</u>	<u>2018</u>	<u>2017</u>
0.026272%	0.026551%	0.025699%
\$ 12,424,520	\$ 13,257,016	\$ 11,175,666
<u>16,509,406</u>	<u>16,081,012</u>	<u>13,874,209</u>
<u>\$ 28,933,926</u>	<u>\$ 29,338,028</u>	<u>\$ 25,049,875</u>
\$ 21,654,559	\$ 20,575,746	\$ 20,041,683
57.38%	64.43%	55.76%
2.66%	1.57%	0.91%

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM**

FOR THE YEAR ENDED AUGUST 31, 2023

Fiscal year Ended August 31,	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 367,691	\$ 213,442	\$ 188,156
Contributions in relation to the contractually required contribution	<u>(367,691)</u>	<u>(213,442)</u>	<u>(188,156)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 25,522,517	\$ 23,414,180	\$ 22,031,215
Contribution as a percentage of covered employee payroll	1.44%	0.91%	0.85%

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

<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 189,916	\$ 181,111	\$ 177,812
<u>(189,916)</u>	<u>(181,111)</u>	<u>(177,812)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 21,654,559	\$ 20,575,746	\$ 20,041,683
0.88%	0.88%	0.89%

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

AUGUST 31, 2023

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.

Excess of Expenditures over Appropriations

The Debt Service fund expenditures exceeded appropriations by \$2,473,789. The overage was due to defeasance of certain bonds and was covered by fund balance.

The General Fund also had two functions where expenditures exceeded appropriations. Functions 31 and 36 were over budget by \$6,605 and \$15,482, respectively. These overages were funded by underspending in other functions.

COMBINING STATEMENTS

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2023

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 National Breakfast and Lunch Program
ASSETS					
1110	Cash and cash equivalents	\$ -	\$ -	\$ 1,253	\$ 970,210
1240	Due from other governments	211,424	91,831	2,579	207,619
1290	Other receivables	-	-	-	-
1000	Total assets	<u>211,424</u>	<u>91,831</u>	<u>3,832</u>	<u>1,177,829</u>
LIABILITIES					
2110	Accounts payable	3,499	-	-	337,164
2160	Accrued wages payable	58,973	39,525	3,254	5,697
2170	Due to other funds	138,719	45,426	-	-
2200	Accrued expenses	10,233	6,880	578	468
2300	Unearned revenue	-	-	-	-
2000	Total liabilities	<u>211,424</u>	<u>91,831</u>	<u>3,832</u>	<u>343,329</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or state funds grant restriction	-	-	-	834,500
3545	Committed for campus activity	-	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>834,500</u>
4000	Total liabilities and fund balances	<u>\$ 211,424</u>	<u>\$ 91,831</u>	<u>\$ 3,832</u>	<u>\$ 1,177,829</u>

EXHIBIT H-1

244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	272 Medicaid Admin. Claim MAC	279 TCLAS ESSER III	281 ESSER II	282 ESSER III
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	13,808	9,522	-	153,837	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>13,808</u>	<u>9,522</u>	<u>-</u>	<u>153,837</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	6,376	5,852	-	254	-	-
-	6,313	2,675	-	153,564	-	-
-	1,119	995	-	19	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>13,808</u>	<u>9,522</u>	<u>-</u>	<u>153,837</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ 13,808	\$ 9,522	\$ -	\$ 153,837	\$ -	\$ -

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2023

Data Control Codes		284 ARP IDEA Part B Formula	285 ARP IDEA Part B Preschool	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives
ASSETS					
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 183
1240	Due from other governments	-	1,893	57,047	-
1290	Other receivables	-	-	-	-
1000	Total assets	<u>-</u>	<u>1,893</u>	<u>57,047</u>	<u>183</u>
LIABILITIES					
2110	Accounts payable	-	-	-	-
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	1,893	57,047	-
2200	Accrued expenses	-	-	-	-
2300	Unearned revenue	-	-	-	183
2000	Total liabilities	<u>-</u>	<u>1,893</u>	<u>57,047</u>	<u>183</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>\$ -</u>	<u>\$ 1,893</u>	<u>\$ 57,047</u>	<u>\$ 183</u>

EXHIBIT H-1

410 Textbook and Kindergarten Material	429 Other State Special Revenue Funds	461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ 168,711	\$ 4,144	\$ 1,144,501
81,295	245,026	-	-	1,075,881
-	-	1,671	-	1,671
<u>81,295</u>	<u>245,026</u>	<u>170,382</u>	<u>4,144</u>	<u>2,222,053</u>
13,786	16,498	9,414	-	380,361
-	2,530	-	-	122,461
67,509	225,792	-	-	698,938
-	206	-	-	20,498
-	-	-	4,144	4,327
<u>81,295</u>	<u>245,026</u>	<u>9,414</u>	<u>4,144</u>	<u>1,226,585</u>
-	-	-	-	834,500
-	-	160,968	-	160,968
-	-	160,968	-	995,468
<u>\$ 81,295</u>	<u>\$ 245,026</u>	<u>\$ 170,382</u>	<u>\$ 4,144</u>	<u>\$ 2,222,053</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES					
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ 415,001
5800	State program revenues	-	-	-	7,180
5900	Federal program revenues	<u>1,114,093</u>	<u>734,407</u>	<u>23,478</u>	<u>2,179,912</u>
5020	Total revenues	<u>1,114,093</u>	<u>734,407</u>	<u>23,478</u>	<u>2,602,093</u>
EXPENDITURES					
Current:					
0011	Instruction	928,914	80,240	23,478	-
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum and instructional staff development	150	-	-	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and evaluation services	-	654,167	-	-
0032	Social work services	185,029	-	-	-
0033	Health services	-	-	-	-
0035	Food service	-	-	-	2,938,352
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Facilities maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
6030	Total expenditures	<u>1,114,093</u>	<u>734,407</u>	<u>23,478</u>	<u>2,938,352</u>
1200	NET CHANGE IN FUND BALANCES	-	-	-	(336,259)
0100	FUND BALANCE, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,170,759</u>
3000	FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 834,500</u>

244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	272 Medicaid Admin. Claim MAC	279 TCLAS ESSER III	281 ESSER II	282 ESSER III
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
<u>48,093</u>	<u>141,385</u>	<u>111,799</u>	<u>57,023</u>	<u>626,390</u>	<u>512,071</u>	<u>2,662,094</u>
<u>48,093</u>	<u>141,385</u>	<u>111,799</u>	<u>57,023</u>	<u>626,390</u>	<u>512,071</u>	<u>2,662,094</u>
48,093	49,425	-	-	626,390	317,232	698,443
-	-	-	-	-	5,295	6,202
-	91,763	-	-	-	-	18,557
-	-	-	-	-	21,043	-
-	-	-	-	-	-	34,623
-	-	111,799	-	-	-	36,403
-	-	-	-	-	-	3,092
-	-	-	57,023	-	-	6,833
-	-	-	-	-	-	2,121
-	-	-	-	-	-	3,666
-	-	-	-	-	3,900	21,039
-	-	-	-	-	783	1,815,227
-	-	-	-	-	-	441
-	197	-	-	-	163,818	15,447
<u>48,093</u>	<u>141,385</u>	<u>111,799</u>	<u>57,023</u>	<u>626,390</u>	<u>512,071</u>	<u>2,662,094</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</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, 2023

Data Control Codes		284 ARP IDEA Part B Formula ARP	285 ARP IDEA Part B Preschool	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives
REVENUES					
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	<u>134,869</u>	<u>9,315</u>	<u>212,572</u>	<u>-</u>
5020	Total revenues	<u>134,869</u>	<u>9,315</u>	<u>212,572</u>	<u>-</u>
EXPENDITURES					
Current:					
0011	Instruction	74,710	9,315	147,160	-
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum and instructional staff development	-	-	-	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and evaluation services	60,159	-	5,272	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Facilities maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	60,140	-
0053	Data processing services	-	-	-	-
6030	Total expenditures	<u>134,869</u>	<u>9,315</u>	<u>212,572</u>	<u>-</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>

410 Textbook and Kindergarten Material	429 Other State Special Revenue Funds	461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ 211,144	\$ 24,174	\$ 650,319
203,744	753,674	-	-	964,598
-	-	-	-	8,567,501
<u>203,744</u>	<u>753,674</u>	<u>211,144</u>	<u>24,174</u>	<u>10,182,418</u>
203,744	282,378	-	24,174	3,513,696
-	-	-	-	11,497
-	386	-	-	110,856
-	-	-	-	21,043
-	-	-	-	34,623
-	273,892	-	-	1,141,692
-	-	-	-	188,121
-	-	-	-	63,856
-	-	-	-	2,940,473
-	-	216,300	-	219,966
-	-	-	-	24,939
-	-	-	-	1,816,010
-	197,018	-	-	257,599
-	-	-	-	179,462
<u>203,744</u>	<u>753,674</u>	<u>216,300</u>	<u>24,174</u>	<u>10,523,833</u>
-	-	(5,156)	-	(341,415)
-	-	166,124	-	1,336,883
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,968</u>	<u>\$ -</u>	<u>\$ 995,468</u>

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**REQUIRED TEXAS EDUCATION
AGENCY SCHEDULES**

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECIEVABLE

FISCAL YEAR ENDED AUGUST 31, 2023

Last Ten Years Ended August 31,	Tax Rates		3 Net Assessed/ Appraised Value for School Tax Purpose
	1 Maintenance	2 Debt Service	
2014 and prior years	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	0.966400	0.145100	1,580,518,758
2021	0.936900	0.138500	1,664,334,759
2023 (School year under audit)	0.863400	0.178590	1,875,792,474
1000 Totals			
8000	Taxes Refunded under 26.1115		

EXHIBIT J-1

10	20	31	32	40	50
Beginning Balance 09/01/22	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 08/31/23
\$ 115,195	\$ -	\$ 5,251	\$ 1,336	\$ (21,568)	\$ 87,040
22,934	-	917	189	(16)	21,812
17,413	-	1,007	169	(17)	16,220
24,869	-	5,762	970	(17)	18,120
32,038	-	10,461	1,761	(17)	19,799
37,970	-	15,823	2,512	(375)	19,260
54,949	-	23,934	3,827	(824)	26,364
82,042	-	31,142	4,676	(6,887)	39,337
234,953	-	108,767	16,079	(29,302)	80,805
<u>-</u>	<u>19,545,570</u>	<u>15,851,774</u>	<u>3,278,861</u>	<u>(131,132)</u>	<u>283,803</u>
<u>\$ 622,363</u>	<u>\$ 19,545,570</u>	<u>\$ 16,054,838</u>	<u>\$ 3,310,380</u>	<u>\$ (190,155)</u>	<u>\$ 612,560</u>
		<u>\$ 5,044</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, 2023

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
		Original	Final		
	REVENUES				
5700	Local and intermediate sources	\$ 465,559	\$ 465,559	\$ 415,001	\$ (50,558)
5800	State program revenues	-	-	7,180	7,180
5900	Federal program revenues	<u>1,913,414</u>	<u>1,913,414</u>	<u>2,179,912</u>	<u>266,498</u>
5020	Total revenues	<u>2,378,973</u>	<u>2,378,973</u>	<u>2,602,093</u>	<u>223,120</u>
	EXPENDITURES				
0035	Food services	<u>2,378,973</u>	<u>3,153,231</u>	<u>2,938,352</u>	<u>214,879</u>
6030	Total expenditures	<u>2,378,973</u>	<u>3,153,231</u>	<u>2,938,352</u>	<u>214,879</u>
1200	NET CHANGE IN FUND BALANCE	-	(774,258)	(336,259)	437,999
0100	FUND BALANCE, BEGINNING	<u>1,170,759</u>	<u>1,170,759</u>	<u>1,170,759</u>	-
3000	FUND BALANCES, ENDING	<u>\$ 1,170,759</u>	<u>\$ 396,501</u>	<u>\$ 834,500</u>	<u>\$ 437,999</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, 2023

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 2,304,025	\$ 2,304,025	\$ 3,438,738	\$ 1,134,713
5800	State program revenues	-	-	123,219	123,219
5020	Total revenues	<u>2,304,025</u>	<u>2,304,025</u>	<u>3,561,957</u>	<u>1,257,932</u>
EXPENDITURES					
Debt Service:					
0071	Principal on long-term debt	1,660,000	1,660,000	4,065,000	(2,405,000)
0072	Interest on long-term debt	643,525	643,525	681,113	(37,588)
0073	Bond issuance cost & fees	500	500	31,701	(31,201)
6030	Total expenditures	<u>2,304,025</u>	<u>2,304,025</u>	<u>4,777,814</u>	<u>(2,473,789)</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES		-	-	(1,215,857)	(1,215,857)
OTHER FINANCING SOURCES (USES)					
7916	Premium on issuance of bonds	-	-	32	32
	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>32</u>	<u>32</u>
1200	NET CHANGE IN FUND BALANCES	-	-	(1,215,825)	(1,215,825)
0100	FUND BALANCE, BEGINNING	<u>1,708,991</u>	<u>1,708,991</u>	<u>1,708,991</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ 1,708,991</u>	<u>\$ 1,708,991</u>	<u>\$ 493,166</u>	<u>\$(1,215,825)</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS

FOR THE YEAR ENDED AUGUST 31, 2023

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district’s fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district’s fiscal year.	\$ 3,599,750
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA’s fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 938,044

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA’s fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA’s fiscal year.	\$ 63,869
AP8	List the actual direct program expenditures for bilingual education programs during the LEA’s fiscal year. (PICs 25, 35)	\$ 60,965

COMPLIANCE SECTION

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

Board of Trustees of
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 (*Government Auditing Standards*), 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, 2023, 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 22, 2024.

Report on Internal Control Over Financial Reporting

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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

OFFICE LOCATIONS

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

Report on 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Brownwood Independent School District'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 Brownwood Independent School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Waco, Texas
January 22, 2024

**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

Opinion on Each Major Federal Program

We have audited Brownwood Independent School District’s (the “District”) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended August 31, 2023. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District’s federal programs.

OFFICE LOCATIONS

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 22, 2024

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2023

Federal Grantor/ Pass-through Grantor/ Grantor/Program Title	(1) 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	71402201	\$ 67,861
National School Breakfast Program	10.553	71402301	<u>536,599</u>
Subtotal - Assistance Listing 10.553			<u>604,460</u>
National School Lunch Program	10.555	71302201	144,981
National School Lunch Program	10.555	71302301	<u>1,194,452</u>
Subtotal - Assistance Listing 10.555			<u>1,339,433</u>
Total Passed through Texas Education Agency			<u>1,943,893</u>
<u>Passed through Texas Department of Agriculture:</u>			
National School Lunch Program - Non Cash Assistance	10.555	NT4XL1YGLGC5	144,928
COVID-19 - Commodity Storage Deliver Reimbursement	10.555	NT4XL1YGLGC5	8,544
COVID-19 - Supply Chain Assistance	10.555	NT4XL1YGLGC5	79,412
COVID-19 - Pandemic EBT Food Benefits Program	10.649	NT4XL1YGLGC5	<u>3,135</u>
Total Passed through Texas Department of Agriculture			<u>236,019</u>
Grand total - Assistance Listing 10.555			<u>1,572,317</u>
Total Child Nutrition Cluster (ALN 10.553, 10.555)			<u>2,176,777</u>
Total U. S. Department of Agriculture			<u>2,179,912</u>
U. S. Department of Education			
<u>Passed through Texas Education Agency:</u>			
ESEA Title I, Part A	84.010A	23610101025902	1,070,206
ESEA Title I, Part A - School Improvement Grants	84.010A	23610141025902	<u>43,887</u>
Subtotal Assistance Listing 84.010			<u>1,114,093</u>
IDEA Part- B, Formula	84.027A	236600010259026000	734,407
COVID-19 IDEA Part- B, Formula ARP	84.027X	225350020259025000	<u>134,869</u>
Subtotal Assistance Listing 84.027			<u>869,276</u>
IDEA Part- B, Preschool	84.173A	236610010259026000	23,478
COVID-19 IDEA Part- B, Preschool ARP	84.173X	225360020259025000	<u>9,315</u>
Subtotal Assistance Listing 84.173			<u>32,793</u>
Subtotal Special Education Cluster (IDEA)			<u>902,069</u>
Career and Technical Basic Grant	84.048A	23420006025902	48,093
ESEA Title VI, Part B - Rural & Low Income Program	84.358B	23696001025902	111,799
ESEA Title II, Part A - Teacher/Principal Training	84.367A	23694501025902	141,385
LEP Summer School	84.369A	69552102	1,439
LEP Summer School	84.369A	69552202	<u>1,479</u>
Subtotal Assistance Listing 84.369			<u>2,918</u>
Student Support and Academic Enrichment Program	84.424A	23680101025902	80,525
COVID-19 - ESSER II	84.425D	21521001025902	512,071
COVID-19 - ESSER III	84.425U	21528001025902	2,662,094
COVID-19 - ESSER TCLAS	84.425U	21528042025902	<u>626,390</u>
Subtotal Assistance Listing 84.425			<u>3,800,555</u>
COVID-19 - School Health Support	93.323	223935027110018	129,129
Total Passed through Texas Education Agency			<u>6,330,566</u>
Total U. S. Department of Education			<u>6,330,566</u>
U. S. Department of Health and Human Services			
<u>Passed through Texas Education Agency:</u>			
Medicaid Assistance Program - Medicaid Cluster	93.778	06CH7152-06-00	<u>57,023</u>
Total Passed through Texas Education Agency			<u>57,023</u>
Total U. S. Department of Health and Human Services			<u>57,023</u>
Total Expenditures of Federal Awards			<u>\$ 8,567,501</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2023

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)	\$ 9,216,789
Less:	
School Health And Related Services	<u>649,288</u>
Federal expenditures per the Schedule of Expenditures of Federal Awards (Exhibit K-1)	<u>\$ 8,567,501</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2023

Summary of Auditor's Results

Financial Statements:

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

Material noncompliance material to financial statements noted?	None
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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
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None
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Identification of major programs:

Assistance Listing Number(s):	Name of Federal Program or Cluster:
84.027, 84.173	Special Education Cluster (IDEA)
84.425	Elementary & Secondary School Emergency Relief Fund (ESSER) - COVID-19

Dollar threshold used to distinguish between type A and type B programs	\$750,000
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Auditee qualified as low-risk auditee?	No
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Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None reported

Findings and Questioned Costs for Federal Awards

None reported

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2023

None

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