

BROOKELAND INDEPENDENT SCHOOL DISTRICT
Brookeland, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2020

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INTRODUCTORY SECTION

BROOKELAND INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD
August 31, 2020

Brookeland Independent School District
Name of School District

Jasper
County

121-902
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, 2020, at a meeting of the Board of Trustees of such school district on the 19th day of November, 2020.

Tom Springs
Signature of Board Secretary

Britt Holloway
Signature of Board President

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

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Brookeland Independent School District
Brookeland, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2020, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison of major funds, pension information, and OPEB information 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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Brookeland Independent School District's basic financial statements. The Supplementary Information and Schedule of Required Responses to Selected School FIRST Indicators, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional 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, Supplementary information 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.

The Schedule of Required Responses to Selected School FIRST Indicators has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
November 19, 2020

As management of the Brookeland Independent School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2020.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows or resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$14,664,737 (*net position*). Of this amount, \$1,938,963 (*unrestricted net position*) may be used to meet the District's ongoing obligations to students and creditors.
- The District's total net position increased by \$692,072 due to increases in grant and property tax revenues.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,561,937, a decrease of \$3,317,149 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,561,928, or 71 percent of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components - *government-wide financial statements, fund financial statements, and notes to the financial statements*. This report also contains required supplementary information and supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

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

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include *Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, and Payments Related to Shared Services Arrangements*.

The government-wide financial statements can be found as noted in the table of contents of this report.

Fund Financial Statement

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows* and *outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirement.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

The District maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and capital projects fund. Data from the other nine governmental funds are combined into a single, aggregated presentation.

The District adopts an annual revenue appropriations budget for its general fund and national school breakfast and lunch special revenue fund. All other governmental funds adopt project length budgets. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget column. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found as noted in the table of contents of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of students. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is similar to the accounting used for proprietary funds.

The basic fiduciary fund financial statements can be found as noted in the table of contents of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as noted in the table of contents of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information and supplementary information, including schedules required by the Texas Education Agency. Such supplementary information can be found as noted in the table of contents of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14,664,737 at the close of the most recent fiscal year.

Table A-1
The District's Net Position
(in thousands of dollars)

| | GOVERNMENTAL ACTIVITIES | | | | | |
|------------------------------------|--------------------------------|----------|----------------------|----------|----------------------------|----------|
| | 2020 | | 2019 | | INCREASE (DECREASE) | |
| | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| Current and other assets | \$ 5 239 553 | 29 | \$ 8 281 582 | 49 | \$ (3 042 029) | (37) |
| Capital and non-current assets | <u>12 725 765</u> | 71 | <u>8 758 356</u> | 51 | <u>3 967 409</u> | 45 |
| TOTAL ASSETS | <u>17 965 318</u> | 100 | <u>17 039 938</u> | 100 | <u>925 380</u> | |
| Deferred outflows | <u>470 255</u> | 100 | <u>442 896</u> | 100 | <u>27 359</u> | 6 |
| Noncurrent liabilities outstanding | 1 873 127 | 73 | 2 116 970 | 74 | (243 843) | (12) |
| Other liabilities | <u>685 678</u> | 27 | <u>753 074</u> | 26 | <u>(67 396)</u> | (9) |
| TOTAL LIABILITIES | <u>2 558 805</u> | 100 | <u>2 870 044</u> | 100 | <u>(311 239)</u> | |
| Deferred inflows | <u>1 212 031</u> | 100 | <u>640 125</u> | 100 | <u>571 906</u> | 89 |
| Net Position: | | | | | | |
| Invested in capital assets | 12 725 765 | 87 | 8 758 356 | 63 | 3 967 409 | 45 |
| Restricted | 9 | - | - | - | 9 | 100 |
| Unrestricted | <u>1 938 963</u> | 13 | <u>5 214 309</u> | 37 | <u>(3 275 346)</u> | (63) |
| TOTAL NET POSITION | <u>\$ 14 664 737</u> | 100 | <u>\$ 13 972 665</u> | 100 | <u>\$ 692 072</u> | |

The excess of assets/deferred outflows of resources over liabilities/deferred inflows of resources reported on the government-wide Statement of Net Position of \$14,664,737 at August 31, 2020 results from several factors.

Net investment in capital assets (\$12,725,765 or 87 percent of net position) reflects its investment in capital assets (e.g., land and improvements, construction in progress, buildings and improvements, and furniture and equipment) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of any related debt, it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The District did not have any debt liabilities for capital assets at fiscal year-end.

The remaining balance of unrestricted net position (\$1,938,963 or 13 percent of net position) may be used to meet the District's ongoing obligations to students and creditors, and \$9 is restricted for use by state and federal grants.

Table A-2
Changes in the District's Net Position
(in thousands of dollars)

| | GOVERNMENTAL ACTIVITIES | | | | | |
|---|--------------------------------|----------|----------------------|----------|----------------------------|----------|
| | 2020 | | 2019 | | Increase (Decrease) | |
| | Amount | % | Amount | % | Amount | % |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 60 664 | 1 | \$ 71 857 | 1 | \$ (11 193) | (16) |
| Operating grants and contributions | 824 924 | 12 | 654 125 | 10 | 170 799 | 26 |
| General Revenues: | | | | | | |
| Property taxes | 2 863 446 | 42 | 2 837 683 | 45 | 25 763 | 1 |
| Grants and contributions | 3 075 784 | 45 | 2 680 762 | 43 | 395 022 | 15 |
| Investment earnings | 12 446 | - | 21 895 | - | (9 449) | (43) |
| Other | 3 142 | - | 5 570 | - | (2 428) | (44) |
| TOTAL REVENUES | <u>6 840 406</u> | 100 | <u>6 271 892</u> | 100 | <u>568 514</u> | |
| Expenses: | | | | | | |
| Instruction | 3 404 235 | 55 | 3 234 560 | 55 | 169 675 | 5 |
| Instructional resources and media services | 57 886 | 1 | 50 488 | 1 | 7 398 | 15 |
| Curriculum and instructional staff development | 9 497 | - | 18 336 | - | (8 839) | (48) |
| Instructional leadership | 18 996 | - | 14 039 | - | 4 957 | 35 |
| School leadership | 334 811 | 5 | 284 769 | 5 | 50 042 | 18 |
| Guidance, counseling, and evaluation services | 120 238 | 2 | 100 678 | 2 | 19 560 | 19 |
| Health services | 77 655 | 1 | 53 048 | 1 | 24 607 | 46 |
| Extracurricular activities | | | | | | |
| Student transportation | 169 603 | 3 | 192 224 | 3 | (22 621) | (12) |
| Food services | 304 447 | 5 | 320 977 | 6 | (16 530) | (5) |
| Extracurricular activities | 286 160 | 5 | 260 385 | 4 | 25 775 | 10 |
| General administration | 549 034 | 9 | 523 860 | 9 | 25 174 | 5 |
| Plant maintenance and operations | 640 864 | 10 | 640 626 | 11 | 238 | - |
| Security and monitoring services | 40 853 | 1 | 14 480 | - | 26 373 | 182 |
| Data processing services | 29 450 | - | 29 563 | 1 | (113) | - |
| Facilities repair and maintenance | 9 490 | - | 12 844 | - | (3 354) | (26) |
| Payments related to shared service arrangements | 95 115 | 2 | 84 644 | 1 | 10 471 | 12 |
| TOTAL EXPENSES | <u>6 148 334</u> | 100 | <u>5 835 521</u> | 100 | <u>312 813</u> | |
| CHANGE IN NET POSITION | 692 072 | | 436 371 | | 255 701 | |
| Net position, beginning | <u>13 972 665</u> | | <u>13 536 294</u> | | <u>436 371</u> | |
| NET POSITION, ENDING | <u>\$ 14 664 737</u> | | <u>\$ 13 972 665</u> | | <u>\$ 692 072</u> | |

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$3,900,708) represents 57 percent of total revenues and property taxes (\$2,863,446) represent 42 percent of total revenue. The remaining 1 percent is generated from charges for services, investment earnings, and miscellaneous.

The primary functional expense of the District is Instruction (\$3,404,235), which represents 55 percent of total expenses. Plant maintenance and operations (\$640,864) represents 10 percent of total expenses. The remaining functional categories of expenses are less than 10 percent of total expenses. There were no significant differences in individual categories of functional expenditures.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,561,937, a decrease of \$3,317,149 in comparison with the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,561,928, while total fund balance reached \$3,561,928. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Fund balance represents 71 percent of total general fund expenditures. The fund balance of the District's general fund decreased by \$735,130 during the current fiscal year primarily due to costs related to construction of new facilities.

General Fund Budgetary Highlights

The District amended the budget several times throughout the year. There were no significant variations between original and final budget.

There were no significant variations between final budget and actual results.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

The District's investment in capital assets for its governmental type activities as of August 31, 2020, amounts to \$12,725,765 (net of accumulated depreciation). This investment in capital assets includes land and improvements, construction in progress, buildings and improvements and furniture and equipment.

Major capital asset addition during the current fiscal year included the following:

- \$4,210,739 Facilities construction

Brookeland Independent School District's Capital Assets (net of depreciation)

| | Governmental Activities | | | | | |
|----------------------------|-------------------------|------------|---------------------|------------|---------------------|-------|
| | 2020 | | 2019 | | Increase (Decrease) | |
| | Amount | % | Amount | % | Amount | % |
| Land and improvements | \$ 164 310 | 1 | \$ 164 310 | 2 | \$ - | - |
| Construction in progress | - | - | 1 912 790 | 22 | (1 912 790) | (100) |
| Buildings and improvements | 12 364 142 | 97 | 6 487 814 | 74 | 5 876 328 | 91 |
| Furniture and equipment | 197 313 | 2 | 193 442 | 2 | 3 871 | 2 |
| TOTAL | \$ 12 725 765 | 100 | \$ 8 758 356 | 100 | \$ 3 967 409 | |

Construction Commitments

Additional information on the District's capital assets can be found in notes to the financial statements as noted in the table of contents of this report.

Long-term Liabilities

At year-end, the District had the following long-term liabilities:

Brookeland Independent School District's Outstanding Noncurrent Liabilities

| | Governmental Activities | | | | | |
|---|-------------------------|------------|---------------------|------------|---------------------|------|
| | 2020 | | 2019 | | Increase (Decrease) | |
| | Amount | % | Amount | % | Amount | % |
| Net pension liability | \$ 387 870 | 21 | \$ 468 329 | 22 | \$ (80 459) | (17) |
| Net OPEB liability | 1 485 257 | 79 | 1 648 641 | 78 | (163 384) | (10) |
| BALANCE OF DEBT, END OF YEAR | \$ 1 873 127 | 100 | \$ 2 116 970 | 100 | \$ (243 843) | |

Additional information on the District's OPEB liability can be found in the notes to the financial statements as indicated in the table of contents of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Current enrollment totals 370 students.
- District staff totals 71 employees, which include 37 teachers and 10 teachers' aides and secretaries.
- The District maintains two campuses for instruction.
- The unemployment rate for the counties Brookland ISD collects property taxes on are Jasper County at 12.8 percent, Newton County at 12.3 percent, Sabine County at 12.8 percent, and San Augustine County at 9.7 percent. These compare unfavorably to the State's average unemployment rate of 8.3 percent.
- Property values of the District are projected to remain similar to current fiscal year for the 2020-2021 fiscal year.
- A maintenance and operations tax rate of \$0.9664 was adopted for 2020-2021.

All of these factors were considered in preparing the District's budget for the 2020-2021 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Business Manager, Brookeland Independent School District, 187 Wildcat Walk, Brookeland, Texas, 75931.

BASIC FINANCIAL STATEMENTS

BROOKELAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
August 31, 2020

EXHIBIT A-1

| DATA CONTROL CODES | | 1 GOVERNMENTAL ACTIVITIES |
|--------------------------|---|---------------------------------|
| | ASSETS | |
| 1110 | Cash and cash equivalents | \$ 4 469 225 |
| 1220 | Property taxes receivable | 710 919 |
| 1230 | Allowance for uncollectable taxes | (35 546) |
| 1240 | Due from other governments | 93 308 |
| 1250 | Accrued interest | 1 647 |
| | Capital Assets: | |
| 1510 | Land and improvements; net | 164 310 |
| 1520 | Buildings and improvements, net | 12 364 142 |
| 1530 | Furniture and equipment, net | 197 313 |
| 1000 | TOTAL ASSETS | 17 965 318 |
| | DEFERRED OUTFLOWS | |
| | Deferred outflows - Pension | 221 828 |
| | Deferred outflows - OPEB | 248 427 |
| 1700 | TOTAL DEFERRED OUTFLOWS | 470 255 |
| | TOTAL ASSETS AND DEFERRED OUTFLOWS | 18 435 573 |
| | LIABILITIES | |
| 2110 | Accounts payable | 523 077 |
| 2160 | Accrued wages payable | 128 129 |
| 2200 | Other accrued expenses | 34 472 |
| | Noncurrent Liabilities: | |
| 2540 | Net pension liability | 387 870 |
| 2545 | Net OPEB liability | 1 485 257 |
| 2000 | TOTAL LIABILITIES | 2 558 805 |
| | DEFERRED INFLOWS | |
| | Deferred inflows - Pension | 163 673 |
| | Deferred inflows - OPEB | 731 793 |
| | Deferred revenues | 316 565 |
| 2600 | TOTAL DEFERRED INFLOWS | 1 212 031 |
| | TOTAL LIABILITIES AND DEFERRED INFLOWS | 3 770 836 |
| | NET POSITION | |
| 3200 | Net investment in capital assets | 12 725 765 |
| 3820 | Restricted for Federal and State programs | 9 |
| 3900 | Unrestricted | 1 938 963 |
| 3000 | TOTAL NET POSITION | \$ 14 664 737 |

The accompanying notes are an integral part of this statement.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2020

EXHIBIT B-1

| DATA CONTROL CODES | FUNCTIONS/PROGRAMS | 1 EXPENSES | 3 PROGRAM REVENUES | | 4 OPERATING GRANTS AND CONTRIBUTIONS | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION GOVERNMENTAL ACTIVITIES |
|--------------------------|---|---------------------|----------------------------|--|---|--|
| | | | CHARGES FOR SERVICES | | | |
| | Governmental Activities: | | | | | |
| 11 | Instruction | \$ 3 404 235 | \$ - | | \$ 516 667 | \$ (2 887 568) |
| 12 | Instruction resources and media services | 57 886 | - | | 3 569 | (54 317) |
| 13 | Curriculum and staff development | 9 497 | - | | 5 071 | (4 426) |
| 21 | Instructional leadership | 18 996 | - | | 4 589 | (14 407) |
| 23 | School leadership | 334 811 | - | | 29 412 | (305 399) |
| 31 | Guidance, counseling, and evaluation services | 120 238 | - | | 18 571 | (101 667) |
| 33 | Health services | 77 655 | - | | - | (77 655) |
| 34 | Student transportation | 169 603 | - | | 8 232 | (161 371) |
| 35 | Food services | 304 447 | 54 660 | | 132 803 | (116 984) |
| 36 | Extracurricular activities | 286 160 | 6 004 | | 16 238 | (263 918) |
| 41 | General administration | 549 034 | - | | 34 287 | (514 747) |
| 51 | Plant maintenance and operations | 640 864 | - | | 24 757 | (616 107) |
| 52 | Security and monitoring | 40 853 | - | | 30 728 | (10 125) |
| 53 | Data processing services | 29 450 | - | | - | (29 450) |
| 81 | Facilities repair and maintenance | 9 490 | - | | - | (9 490) |
| 93 | Payments related to shared services arrangements | 95 115 | - | | - | (95 115) |
| TG | TOTAL GOVERNMENTAL ACTIVITIES | <u>6 148 334</u> | <u>60 664</u> | | <u>824 924</u> | <u>(5 262 746)</u> |
| TP | TOTAL PRIMARY GOVERNMENT | <u>\$ 6 148 334</u> | <u>\$ 60 664</u> | | <u>\$ 824 924</u> | <u>(5 262 746)</u> |
| | General Revenues: | | | | | |
| MT | Property taxes, levied for general purposes | | | | | 2 863 446 |
| GC | Grants and contributions not restricted | | | | | 3 075 784 |
| IE | Investment earnings | | | | | 12 446 |
| MI | Miscellaneous | | | | | 3 142 |
| TR | TOTAL GENERAL REVENUES | | | | | <u>5 954 818</u> |
| CN | CHANGE IN NET POSITION | | | | | 692 072 |
| NB | Net position - Beginning | | | | | <u>13 972 665</u> |
| NE | NET POSITION - ENDING | | | | | <u>\$ 14 664 737</u> |

The accompanying notes are an integral part of this statement.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
August 31, 2020

EXHIBIT C-1

| DATA CONTROL CODES | | 10 | 60 | TOTAL NONMAJOR GOVERN- MENTAL FUNDS | 98 TOTAL GOVERN- MENTAL FUNDS |
|--------------------------|--|---------------------|-----------------------------|---|---|
| | | GENERAL FUND | CAPITAL PROJECTS FUND | | |
| | ASSETS | | | | |
| 1110 | Cash and cash equivalent | \$ 4 438 408 | \$ - | \$ 30 817 | \$ 4 469 225 |
| 1220 | Property taxes receivable | 710 919 | - | - | 710 919 |
| 1230 | Allowance for uncollectible taxes | (35 546) | - | - | (35 546) |
| 1240 | Due from other governments | 51 525 | - | 41 783 | 93 308 |
| 1250 | Accrued interest | 1 647 | - | - | 1 647 |
| 1260 | Due from other funds | 44 048 | 269 965 | 17 360 | 331 373 |
| 1000 | TOTAL ASSETS | <u>\$ 5 211 001</u> | <u>\$ 269 965</u> | <u>\$ 89 960</u> | <u>\$ 5 570 926</u> |
| | LIABILITIES | | | | |
| | Liabilities: | | | | |
| 2110 | Accounts payable | \$ 224 306 | \$ 269 965 | \$ 28 806 | \$ 523 077 |
| 2160 | Accrued wages payable | 117 080 | - | 11 049 | 128 129 |
| 2170 | Due to other funds | 287 325 | - | 44 048 | 331 373 |
| 2200 | Other accrued expense | 28 424 | - | 6 048 | 34 472 |
| 2000 | TOTAL LIABILITIES | <u>657 135</u> | <u>269 965</u> | <u>89 951</u> | <u>1 017 051</u> |
| | DEFERRED INFLOWS | | | | |
| 2600 | Unavailable revenue | 991 938 | - | - | 991 938 |
| | TOTAL DEFERRED INFLOWS | <u>991 938</u> | <u>-</u> | <u>-</u> | <u>991 938</u> |
| | TOTAL LIABILITIES AND DEFERRED INFLOWS | <u>1 649 073</u> | <u>269 965</u> | <u>89 951</u> | <u>2 008 989</u> |
| | FUND BALANCE | | | | |
| 3450 | Federal/state funds grant restrictions | - | - | 9 | 9 |
| 3600 | Unassigned | 3 561 928 | - | - | 3 561 928 |
| 3000 | TOTAL FUND BALANCE | <u>3 561 928</u> | <u>-</u> | <u>9</u> | <u>3 561 937</u> |
| 4000 | TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE | <u>\$ 5 211 001</u> | <u>\$ 269 965</u> | <u>\$ 89 960</u> | <u>\$ 5 570 926</u> |

The accompanying notes are an integral part of this statement.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
August 31, 2020

EXHIBIT C-1R

| | |
|---|----------------------|
| TOTAL FUND BALANCES - GOVERNMENTAL FUNDS BALANCE SHEET | \$ 3 561 937 |
| Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. | 12 725 765 |
| Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds. | 675 373 |
| Recognition of the District's proportionate share of the net pension liability is not reported in the funds. | (387 870) |
| Deferred resource outflows related to the pension plan are not reported in the funds. | 221 828 |
| Deferred resource inflows related to the pension plan are not reported in the funds. | (163 673) |
| Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds. | (1 485 257) |
| Deferred resource outflow related to the OPEB plan are not reported in the funds. | 248 427 |
| Deferred resource inflows related to the OPEB plan are not reported in the funds. | <u>(731 793)</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION | <u>\$ 14 664 737</u> |

The accompanying notes are an integral part of this statement.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended August 31, 2020

EXHIBIT C-2

| DATA CONTROL CODES | | 10 | 60 | TOTAL NONMAJOR GOVERN- MENTAL FUNDS | 98 TOTAL GOVERN- MENTAL FUNDS |
|-------------------------------------|---|---------------------|-----------------------------|---|---|
| | | GENERAL FUND | CAPITAL PROJECTS FUND | | |
| Revenues: | | | | | |
| 5700 | Local and intermediate sources | \$ 2 857 043 | \$ 2 044 | \$ 54 660 | \$ 2 913 747 |
| 5800 | State program revenues | 1 599 184 | - | 116 248 | 1 715 432 |
| 5900 | Federal program revenues | 1 476 600 | - | 278 692 | 1 755 292 |
| 5020 | TOTAL REVENUES | <u>5 932 827</u> | <u>2 044</u> | <u>449 600</u> | <u>6 384 471</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| 0011 | Instruction | 2 757 554 | - | 245 826 | 3 003 380 |
| 0012 | Instructional resources and media services | 38 597 | - | - | 38 597 |
| 0013 | Curriculum and staff development | 595 | - | 5 071 | 5 666 |
| 0021 | Instructional leadership | 14 407 | - | 4 589 | 18 996 |
| 0023 | School leadership | 292 479 | - | - | 292 479 |
| 0031 | Guidance, counseling and evaluation services | 97 271 | - | 649 | 97 920 |
| 0033 | Health services | 74 179 | - | - | 74 179 |
| 0034 | Student transportation | 127 884 | - | - | 127 884 |
| 0035 | Food services | - | - | 279 108 | 279 108 |
| 0036 | Extracurricular activities | 227 116 | - | - | 227 116 |
| 0041 | General administration | 499 685 | - | - | 499 685 |
| 0051 | Plant maintenance and operations | 607 243 | - | - | 607 243 |
| 0052 | Security and monitoring services | 10 125 | - | 30 728 | 40 853 |
| 0053 | Data processing services | 29 450 | - | - | 29 450 |
| 0081 | Capital outlay | 172 545 | 4 091 404 | - | 4 263 949 |
| 0093 | Payments to shared service arrangements | 95 115 | - | - | 95 115 |
| 6030 | TOTAL EXPENDITURES | <u>5 044 245</u> | <u>4 091 404</u> | <u>565 971</u> | <u>9 701 620</u> |
| 1100 | EXCESS (DEFICIT) REVENUE OVER (UNDER) EXPENDITURES | <u>888 582</u> | <u>(4 089 360)</u> | <u>(116 371)</u> | <u>(3 317 149)</u> |
| Other Financing Sources and (Uses): | | | | | |
| 7915 | Transfers in | - | 1 507 332 | 116 380 | 1 623 712 |
| 8911 | Transfers out | (1 623 712) | - | - | (1 623 712) |
| 7080 | TOTAL OTHER FINANCING SOURCES | <u>(1 623 712)</u> | <u>1 507 332</u> | <u>116 380</u> | <u>-</u> |
| 1200 | NET CHANGE IN FUND BALANCES | (735 130) | (2 582 028) | 9 | (3 317 149) |
| 0100 | Fund balances - Beginning | <u>4 297 058</u> | <u>2 582 028</u> | <u>-</u> | <u>6 879 086</u> |
| 3000 | FUND BALANCES - ENDING | <u>\$ 3 561 928</u> | <u>\$ -</u> | <u>\$ 9</u> | <u>\$ 3 561 937</u> |

The accompanying notes are an integral part of this statement.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2020

EXHIBIT C-3

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (3 317 149)

Amounts Reported for Governmental Activities in the Statement of Activities ("SOA") are Different Because:

| | |
|---|-------------------|
| Capital outlays are not reported as expenses in the SOA. | 4 260 276 |
| The depreciation of capital assets used in governmental activities is not reported in the funds. | (292 867) |
| Certain property tax revenues are recorded as unearned in the funds. This is the change in these amounts this year. | 25 951 |
| Expense related to changes in the pension liability and amortization of deferred inflows and outflows are not recognized at the fund level. | 30 367 |
| Expense related to changes in the OPEB liability and amortization of deferred inflows and outflows are not recognized at the fund level. | <u>(14 506)</u> |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES | <u>\$ 692 072</u> |

BROOKELAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
August 31, 2020

EXHIBIT E-1

| DATA CONTROL CODES | | AGENCY FUNDS |
|--------------------------|---------------------------|-------------------------|
| | ASSETS | |
| 1110 | Cash and cash equivalents | \$ <u>33 828</u> |
| 1000 | TOTAL ASSETS | \$ <u>33 828</u> |
| | LIABILITIES | |
| | Current Liabilities: | |
| 2190 | Due to student groups | \$ <u>33 828</u> |
| 2000 | TOTAL LIABILITIES | \$ <u><u>33 828</u></u> |

The accompanying notes are an integral part of this statement.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide 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 (the District). All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

B. Reporting Entity

The Brookeland Independent School District (the District) is governed by a seven-member board of trustees (the Board), which has governance responsibilities over all activities related to public, elementary and secondary, education within the District. Members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity. The accompanying financial statements present the District.

C. Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.

The *capital projects fund* is used by the District to track expenditures related to ongoing construction projects.

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account for the proceeds of specific revenue sources (other than those identified as a major fund) that are restricted or committed to expenditures for specific purposes.

The *agency fund* accounts for assets held by the District for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement or results of operations.

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 and advances to/from 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 governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities.

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 are eliminated in governmental activities.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide 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.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The 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 District 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 required under accrual accounting. General capital asset acquisitions are reported as expenditures in governmental funds.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenue of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is 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.

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

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

2. Deposits and Investments

Investments for the District, except for the investment pools and non-negotiable certificates of deposit, are reported at fair value. The investment pools operate in accordance with the appropriate state laws and regulations and are reported at amortized cost or net asset value; i.e., fair value. Non-negotiable certificates of deposit are reported at cost.

3. Prepaid Items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include land and improvements, construction in progress, buildings and improvements, and furniture and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. 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.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the District chose to include all such items regardless of their acquisition date or amount. The District was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the District constructs or acquires additional capital assets each period, including infrastructure assets, 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 their estimated acquisition value at the date of donation. Land and improvements and construction in progress are not depreciated. The buildings and improvements and furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

| <u>Capital Asset Classes</u> | <u>Lives</u> |
|------------------------------|--------------|
| Buildings and improvements | 10-40 |
| Furniture and equipment | 5-40 |

BROOKELAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension and OPEB activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and OPEB, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- District contributions to the pension and OPEB plans after the measurement date of each plan are recognized in the subsequent fiscal year.
- Property taxes are recognized in the period the amount becomes available.

6. Compensated Absences

The District does not have a liability for unused state and local leave at year-end due to the District's policy does not allow such a benefit when an employee separates from service with the District.

7. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bonds 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.

8. Fund Balance Flow Assumption

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.

9. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority for the District that can, by board action or adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by board action or the resolution remains in place until a similar action is taken (the board action or adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has, by policy, authorized the superintendent or his designee to assign fund balance. The Board may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments general exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) Pension 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 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 Pension Plan 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.

11. Other Postemployment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) Pension 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 postemployment 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.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property values are determined by the County Appraisal District as of January 1 of each year. Prior to September 1 each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of January 1 of each year.

H. Use of Estimates

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

I. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by 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 TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and the national school breakfast and lunch program special revenue fund. All other governmental funds adopt project length budgets. All annual appropriations lapse at fiscal year-end. The following procedures are followed in establishing the budgetary data reflected in the financial statements.

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.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2020

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 legally enacted through passage of a resolution by the Board.

The appropriated budget is prepared by fund, function, and campus/department. The District's campus/department heads may make transfers of appropriations within a department. Transfers of appropriations between campus/departments require the approval of the District's management. Transfers of appropriations between functions require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level.

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. The District did not have any outstanding encumbrances at August 31, 2020.

For the fiscal year ended August 31, 2020, expenditures exceeded appropriations in the functions (the legal level of budgetary control) of the following fund:

| FUND | FUNCTION | FINAL BUDGET | ACTUAL | VARIANCE |
|--------------|------------------------|--------------|------------|----------|
| General Fund | Health Services | \$ 73 640 | \$ 74 179 | \$ 539 |
| General Fund | General Administration | \$ 499 443 | \$ 499 685 | \$ 242 |

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities shall be 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.

Investments

The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. State law and District policy limits credit risk by allowing investing in 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized statistical rating organization (NRSRO) not less than A or its equivalent; 2) Certificates of deposit issued by a broker or depository located in Texas which is insured by the FDIC or purchased through a broker who has an office located in Texas; 3) Fully collateralized repurchase agreements secured by obligations of the United States or its agencies not to exceed 90 days to maturity from the date of purchase; 4) Securities lending program as permitted by Government Code 2256.0015; 5) Bankers acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 6) Commercial paper if it has a stated maturity of 270 days or fewer from the date of its issuance and is rated not less than A-1 or P-1 or an equivalent rating by at least: two nationally recognized credit rating agencies or one nationally recognized agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; 7) No-load mutual funds which shall be registered with the Securities and Exchange Commission, have an average weighted maturity of less than two years, include investments that comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRSRO; 9) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 10) Public funds investment pools which meet the requirements of the Public Funds Investment Act.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of any internally created pool to no more than 180 days, and any other individual investment not to exceed one year from the time of purchase, unless specifically authorized by the Board of Trustees.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS

Concentration of Credit Risk

The District's investment policy dictates that no individual investment transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2020, District's deposits were insured and collateralized with securities held by the District's agent and in the District's name.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District is not exposed to custodial risk due to the investments are insured or registered in the District's name or the investments are held by the District or its agent in the District's name.

B. Receivables

Tax revenues of the general fund are reported net of uncollectible amounts. Total change in uncollectible amounts related to revenues of the current period increased (decreased) revenues as follows:

| | |
|---|------------------------|
| Change in uncollectibles related to general fund property taxes | \$ <u>1 366</u> |
| TOTAL CHANGE IN UNCOLLECTIBLES OF THE CURRENT FISCAL YEAR | \$ <u><u>1 366</u></u> |

C. Interfund Receivables, Payables and Transfers

1. Receivables/Payables

The composition of interfund balances as of August 31, 2020 is as follows:

| FUND | INTERFUND RECEIVABLES | INTERFUND PAYABLES |
|-----------------------------|--------------------------|-----------------------|
| General fund | \$ 44 048 | \$ 287 325 |
| Capital projects fund | 269 965 | - |
| Nonmajor governmental funds | 17 360 | 44 048 |
| TOTAL - ALL FUNDS | \$ <u>331 373</u> | \$ <u>331 373</u> |

Interfund balances consist of short-term lending/borrowing arrangements that generally result primarily from payroll and other regularly occurring charges that are primarily paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

2. Transfers

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment." Transfers are the use of funds collected in one fund and are transferred to finance various programs accounted for in other funds. The following is a summary of the District's transfers for the fiscal year ended August 31, 2020.

| TRANSFER FROM | TRANSFER TO | AMOUNT |
|---------------|-----------------------------|---------------------|
| General Fund | Nonmajor Governmental Funds | \$ 116 380 |
| General Fund | Capital Projects Fund | 1 507 332 |
| TOTAL | | \$ <u>1 623 712</u> |

The transfers were made from the general fund to the other governmental fund - national school breakfast and lunch program to cover the fund's deficit. The transfers from the general fund to the capital projects fund were to establish the capital projects fund to track construction-related expenditures.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Capital Assets

Capital asset activity for the district for the year ended August 31, 2020 was as follows:

| | <u>BEGINNING BALANCE</u> | <u>ADDITIONS</u> | <u>RETIREMENTS</u> | <u>TRANSFER/ ADJUSTMENTS</u> | <u>ENDING BALANCE</u> |
|--------------------------------|------------------------------|---------------------|--------------------|----------------------------------|---------------------------|
| Governmental Activities: | | | | | |
| Non-Depreciable Assets: | | | | | |
| Land and improvements | \$ 164 310 | \$ - | \$ - | \$ - | \$ 164 310 |
| Construction in progress | 1 912 790 | - | - | (1 912 790) | - |
| TOTAL NON-DEPRECIABLE ASSETS | <u>2 077 100</u> | <u>-</u> | <u>-</u> | <u>(1 912 790)</u> | <u>164 310</u> |
| Depreciable Assets: | | | | | |
| Buildings and improvements | 9 453 183 | 4 210 739 | (120 000) | 1 912 790 | 15 456 712 |
| Furniture and equipment | 1 184 821 | 49 537 | - | - | 1 234 358 |
| TOTAL DEPRECIABLE ASSETS | <u>10 638 004</u> | <u>4 260 276</u> | <u>(120 000)</u> | <u>1 912 790</u> | <u>16 691 070</u> |
| Less Accumulated Depreciation: | | | | | |
| Buildings and improvements | (2 965 369) | (247 201) | 120 000 | - | (3 092 570) |
| Furniture and equipment | (991 379) | (45 666) | - | - | (1 037 045) |
| TOTAL ACCUMULATED DEPRECIATION | <u>(3 956 748)</u> | <u>(292 867)</u> | <u>120 000</u> | <u>-</u> | <u>(4 129 615)</u> |
| GOVERNMENTAL ACTIVITIES | | | | | |
| CAPITAL ASSETS, NET | <u>\$ 8 758 356</u> | <u>\$ 5 880 199</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1 275 765</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|---|-------------------|
| 11 Instruction | \$ 132 615 |
| 12 Instructional resources and media services | 15 852 |
| 13 Curriculum and instructional staff development | 3 831 |
| 23 School leadership | 14 005 |
| 31 Guidance, counseling, and evaluation services | 5 057 |
| 33 Health services | 3 476 |
| 34 Student transportation | 33 790 |
| 35 Food services | 8 916 |
| 36 Extracurricular activities | 43 405 |
| 41 General administration | 16 326 |
| 51 Plant maintenance and operations | 15 594 |
| TOTAL DEPRECIATION EXPENSE | <u>\$ 292 867</u> |

E. Revenues from Local and Intermediate Sources

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

| | <u>GENERAL</u> | <u>CAPITAL PROJECTS</u> | <u>NONMAJOR GOVERNMENTAL FUNDS</u> | <u>TOTALS</u> |
|-------------------|---------------------|-----------------------------|--|---------------------|
| Property taxes | \$ 2 837 495 | \$ - | \$ - | \$ 2 837 495 |
| Investment income | 10 402 | 2 044 | - | 12 446 |
| Food sales | - | - | 54 660 | 54 660 |
| Other | 6 004 | - | - | 6 004 |
| TOTALS | <u>\$ 2 857 043</u> | <u>\$ 2 044</u> | <u>\$ 54 660</u> | <u>\$ 2 913 747</u> |

NOTE 4 - OTHER INFORMATION

A. Risk Management

Property Liability

The District is exposed to various risks of loss related to property/liability losses for which the District carries commercial insurances. In addition, there were no significant reductions in coverage in the past fiscal year and there were not settlements exceeding insurance coverage for each of the past three fiscal years.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2020

NOTE 4 - OTHER INFORMATION - CONTINUED

Workers' Compensation and Property/Liability Losses

The District participates in the Texas Association of School Boards Risk Management Fund ("Fund") Workers' Compensation and Property/Liability Program. The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain competitive costs for coverages and develop a comprehensive loss control program. The District pays an annual premium to the Fund for its coverages and transfers the risk to the Fund. In the event that the Fund was to discontinue operations, the member districts would be responsible for any eligible claims not funded by the pool. There were no significant reductions in insurance coverage from the prior year or settlements exceeding insurance coverage for each of the past three fiscal years.

Health Care Coverage

During the fiscal year, ended August 31, 2020, employees of the District were covered by TRS-Active Care (the Plan) a statewide health coverage program for Texas public education employees, implemented by the Teacher Retirement System of Texas (TRS). The District paid premiums of \$350 per month, per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to the TRS. The legislature created the Plan for public school employee group health coverage in 2002-03, requiring all Districts with fewer than 500 employees to participate in the Plan.

B. Contingencies

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through August 31, 2020, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

C. Defined Benefit Pension Plan

Plan Description:

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

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

Pension Plan Fiduciary Net Position:

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

Benefits Provided:

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2020

NOTE 4 - OTHER INFORMATION - CONTINUED

Contributions:

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates. The 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2019 and 2020.

| | CONTRIBUTION RATES | |
|--|--------------------|------------|
| | 2019 | 2020 |
| Member | 7.7% | 7.7% |
| Non-Employer Contributing Entity (State) | 6.8% | 6.8% |
| Employers | 6.8% | 6.8% |
| Employer Contributions - 2020 | | \$ 70 628 |
| Member Contributions - 2020 | | \$ 238 282 |
| NECE On-behalf Contributions - 2019 | | \$ 162 002 |

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.

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2020

NOTE 4 - OTHER INFORMATION - CONTINUED

Actuarial Assumptions:

The total pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

| | |
|--|------------------------------------|
| Valuation Date | August 31, 2019 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Market Value |
| Single Discount Rate | 7.25% |
| Long-term Expected Investment Rate of Return | 7.25% |
| Inflation | 2.30% |
| Salary Increases | 3.05% to 9.05% including inflation |
| Benefit Changes During the Year | None |
| Ad Hoc Post-Employment Benefit Changes | None |

Discount Rate:

The single discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69 %. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

| ASSET CLASS | TARGET ALLOCATION* | LONG-TERM EXPECTED GEOMETRIC REAL RATE OF RETURN | EXPECTED CONTRIBUTION TO LONG-TERM PORTFOLIO RETURNS** |
|-------------------------------|-----------------------|--|--|
| Global Equity | | | |
| U.S. | 18.0% | 5.70% | 1.04% |
| Non-U.S. Developed | 13.0% | 6.90% | 0.90% |
| Emerging Markets | 9.0% | 8.95% | 0.80% |
| Directional Hedge Funds | 4.0% | 3.53% | 0.14% |
| Private Equity | 13.0% | 10.18% | 1.32% |
| Stable Value | | | |
| U.S. Treasuries | 11.0% | 1.11% | 0.12% |
| Absolute Return | 0.0% | - % | - % |
| Stable Value Hedge Funds | 4.0% | 3.09% | 0.12% |
| Cash | 1.0% | (0.30)% | - % |
| Real Return | | | |
| Global Inflation Linked Bonds | 3.0% | 0.70% | 0.02% |
| Real Assets | 16.0% | 5.21% | 0.73% |
| Energy and Natural Resources | 3.0% | 7.48% | 0.37% |
| Commodities | 0.0% | - % | - % |
| Risk Parity | | | |
| Risk Parity | 5.0% | 3.70% | 0.18% |
| Inflation Expectation | | | 2.30% |
| Volatility Drag** | | | (0.79)% |
| Total | 100.0% | | 7.25% |

* Target allocations are based on the FY2016 policy model.

** The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

For the fiscal year ended August 31, 2019, the annual money-weighted rate of return on pension plan investments was 7.25 percent. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2020

NOTE 4 - OTHER INFORMATION - CONTINUED

Discount Rate Sensitivity Analysis:

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.25%) in measuring the Net Pension Liability.

| | 1% DECREASE IN DISCOUNT RATE (6.25%) | DISCOUNT RATE (7.25%) | 1% INCREASE IN DISCOUNT RATE (8.25%) |
|---|--|-----------------------------|--|
| District proportionate share of the net pension liability | \$ 596 212 | \$ 387 870 | \$ 219 072 |

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

At August 31, 2020, the District reported a liability of \$387,870 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 | \$ 387 870 |
| State's proportionate share that is associated with the District | 2 406 130 |
| TOTAL | \$ 2 794 000 |

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

At August 31, 2019 the District's proportion of the collective net pension liability was 0.0007% which was a decrease of 0.0004% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation - The following changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

The total pension liability as of August 31, 2019 was developed using a roll-forward method from the August 31, 2018 valuation.

Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2018.

Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.

The discount rate changed from 6.907 percent as of August 31, 2018 to 7.25 percent as of August 31, 2019.

With the enactment of SB 3 by the 2019 Legislature, an assumption has been made about how this legislation would impact future salaries. We have assumed that eligible active members would each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

For the year ended August 31, 2020, the District recognized pension expense of \$377,969 and revenue of \$377,969 for support provided by the State.

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

| | DEFERRED OUTFLOWS OF RESOURCES | DEFERRED INFLOWS OF RESOURCES |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 1 629 | \$ 13 467 |
| Changes in actuarial assumptions | 120 336 | 49 729 |
| Difference between projected and actual investment earnings | 23 319 | 19 424 |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | 5 916 | 81 053 |
| Contributions paid to TRS subsequent to the measurement date | 70 628 | - |
| TOTAL | \$ 221 828 | \$ 163 673 |

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2020

NOTE 4 - OTHER INFORMATION - CONTINUED

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

| YEAR ENDED AUGUST 31, | PENSION EXPENSE AMOUNT |
|--------------------------|------------------------------|
| 2021 | \$ (14 536) |
| 2022 | \$ (16 820) |
| 2023 | \$ 9 626 |
| 2024 | \$ 14 102 |
| 2025 | \$ 983 |
| Thereafter | \$ (5 828) |

D. Defined Other Post-Employment Benefit Plan

Plan Description:

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position:

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling 512.542.6592.

Benefits Provided:

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

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

| TRS-Care Monthly for Retirees | | | | |
|--------------------------------------|-----------------|-------|---------------------|-----|
| January 1, 2019 - December 31, 2020 | | | | |
| | Medicare | | Non-Medicare | |
| Retiree* | \$ | 135 | \$ | 200 |
| Retiree and Spouse | | 529 | | 689 |
| Retiree* and Children | | 468 | | 408 |
| Retiree and Family | | 1 020 | | 999 |

* or surviving spouse

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.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2020

NOTE 4 - OTHER INFORMATION - CONTINUED

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.

| | <u>Contribution Rates</u> | |
|---|---------------------------|-------------|
| | <u>2019</u> | <u>2020</u> |
| Active Employee | 0.65% | 0.65% |
| Non-Employer Contributing Entity | 1.25% | 1.25% |
| Employers | 0.75% | 0.75% |
| Federal/private Funding remitted by Employers | 1.25% | 1.25% |
| Employer Contributions - 2020 | | \$ 23 887 |
| Member Contributions - 2020 | | \$ 20 115 |
| NECE On-behalf Contributions - 2019 | | \$ 29 617 |

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

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

Actuarial Assumptions:

The total OPEB liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Methods and Assumptions:

| | |
|---------------------------------|---|
| Valuation Date | August 31, 2019 |
| Methods and Assumptions: | |
| Actuarial Cost Method | Individual Entry Age Normal |
| Inflation | 2.30% |
| Single Discount Rate | 2.63% as of August 31, 2019 |
| Demographic Assumptions | Based on the experience study performed for the Teachers Retirement System of Texas of the period ending August 31, 2018. |
| Mortality Assumption | The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection, the ultimate improvement rates from the most recently published projection scale ("U-MP"). |
| Healthcare Trend Rates | Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and initial medical trend rate of 6.75% for non-Medicare retirees. Initial prescription drug trend rate of 11.00% for all retirees. The first year medical trend for Medicare retirees (107.74%) reflects the anticipated return of the Health Insurer Fee (HIF) in 2020. |
| Election Rates | Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 9 years. |
| Aging Factors | Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65 |
| Expenses | Based on plan specific experience. |
| | Third party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs. |

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

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

Discount Rate:

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

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2020

NOTE 4 - OTHER INFORMATION - CONTINUED

Discount Rate Sensitivity Analysis:

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

| | 1% Decrease in Discount Rate (1.63%) | Current Single Discount Rate (2.63%) | 1% Increase in Discount Rate (3.63%) |
|--|--|--|--|
| District's proportionate share of the Net OPEB Liability | \$ 1 793 182 | \$ 1 485 257 | \$ 1 244 367 |

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 4.5% rate is used.

| | 1% Decrease in Healthcare Trend Rate (3.5%) | Current Single Healthcare Trend Rate (4.5%) | 1% Increase in Healthcare Trend Rate (5.5%) |
|--|--|--|--|
| District's proportionate share of the Net OPEB Liability | \$ 1 211 621 | \$ 1 485 257 | \$ 1 851 804 |

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

At August 31, 2020, the District reported a liability of \$1,485,257 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provide 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 | \$ 1 485 257 |
| State's proportionate share that is associated with District | 1 973 574 |
| TOTAL | \$ 3 458 831 |

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

At August 31, 2019, the employer's proportion of the collective Net OPEB Liability was 0.0031% which is a decrease of 0.0002% from measurement at August 31, 2018.

Changes Since the Prior Actuarial Valuation - The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

The following assumptions and other inputs which are specific to TRS-Care were updated from the prior year's report:

1. Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2019. This change increased the Total OPEB Liability.
2. The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
3. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2018. This change increased the Total OPEB Liability.
4. The discount rate was changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change lowered the Total OPEB Liability
5. Change of Benefit Terms Since the Prior Measurement Date - Please see the 2018 TRS CAFR, page 68, section G. for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

For the year ended August 31, 2020, the District recognized OPEB expense of \$52,015 and revenue of \$52,015 for support provided by the State.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2020

NOTE 4 - OTHER INFORMATION - CONTINUED

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 72 864 | \$ 243 047 |
| Changes in actuarial assumptions | 82 494 | 399 498 |
| Difference between projected and actual investment earnings | 193 | 32 |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | 68 989 | 89 216 |
| Contributions paid to TRS subsequent to the measurement date | 23 887 | - |
| TOTAL | \$ 248 427 | \$ 731 793 |

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

| YEAR ENDED AUGUST 31, | OPEB EXPENSE AMOUNT |
|--------------------------|------------------------|
| 2021 | \$ (83 253) |
| 2022 | \$ (83 253) |
| 2023 | \$ (83 305) |
| 2024 | \$ (83 335) |
| 2025 | \$ (83 327) |
| Thereafter | \$ (90 780) |

The Medicare Modernization Act of 2003 (MMA) created an outpatient prescription drug benefit program (known as Medicare Part D) and a Retiree Drug Subsidy (RDS) program which were made available in 2006. The Texas Public School Retired Employee Group Insurance Program (TRS-Care) is offering a Medicare Part D Plan and is participating in the Retiree Drug Subsidy plan for eligible TRS-Care participants. Under Medicare Part D and the RDS program, TRS-Care received payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire covered payroll reported by all participating reporting entities. TRS based this allocation percentage on the "completed" report submissions by reporting entities for the month of May. For the fiscal years ended August 31, 2020, 2019 and 2018, the subsidy payments received by TRS-Care on behalf of the District were \$13,109, \$11,217 and \$8,826, respectively.

E. Joint Venture-Sharing Service Arrangement

The District participates in the following shared service arrangement:

Sabine County Special Education

The District participates in a shared services arrangement which provides service for special education students, funded under TEC Section 29.007, TGC 791.001. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Hemphill ISD, nor does the District have a new equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for part of the financial activities of the shared services arrangement.

NOTE 5 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 19, 2020 the date the financial statements were available to be issued.

A novel strain of coronavirus (COVID-19) was spread to the United States of America in January and February 2020. The World Health Organization declared the outbreak to constitute a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our students, employees and vendors all of which are uncertain and cannot be predicted. As of the date these financial statements are issued, COVID-19 had not materially affected results of operations in 2020. However, the impact of response efforts on future operations cannot be predicted.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board, but not considered a part of the basic financial statements.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON - GENERAL FUND
For the Year Ended August 31, 2020

EXHIBIT G-1

| DATA CONTROL CODES | | BUDGETED AMOUNTS | | ACTUAL AMOUNTS | VARIANCE WITH FINAL BUDGET POSITIVE OR (NEGATIVE) |
|-------------------------------------|---|---------------------|---------------------|---------------------|--|
| | | ORIGINAL | FINAL | | |
| Revenues: | | | | | |
| 5700 | Local and intermediate sources | \$ 2 765 000 | \$ 2 765 000 | \$ 2 857 043 | \$ 92 043 |
| 5800 | State program revenues | 1 231 862 | 1 231 862 | 1 599 184 | 367 322 |
| 5900 | Federal program revenues | 1 487 452 | 1 517 452 | 1 476 600 | (40 852) |
| 5020 | TOTAL REVENUES | <u>5 484 314</u> | <u>5 514 314</u> | <u>5 932 827</u> | <u>418 513</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| 0011 | Instruction | 2 825 755 | 2 925 755 | 2 757 554 | 168 201 |
| 0012 | Instructional resources and media services | 40 524 | 40 524 | 38 597 | 1 927 |
| 0013 | Curriculum and staff development | 4 550 | 4 550 | 595 | 3 955 |
| 0021 | Instructional leadership | 10 000 | 15 000 | 14 407 | 593 |
| 0023 | School leadership | 311 250 | 311 250 | 292 479 | 18 771 |
| 0031 | Guidance, counseling and evaluation services | 97 620 | 97 620 | 97 271 | 349 |
| 0033 | Health services | 60 940 | 73 640 | 74 179 | (539) |
| 0034 | Student transportation | 139 509 | 144 509 | 127 884 | 16 625 |
| 0035 | Food services | 2 000 | - | - | - |
| 0036 | Co-curricular/extracurricular activities | 227 318 | 229 203 | 227 116 | 2 087 |
| 0041 | General administration | 493 443 | 499 443 | 499 685 | (242) |
| 0051 | Plant maintenance and operations | 702 845 | 654 145 | 607 243 | 46 902 |
| 0052 | Security and monitoring services | 61 000 | 11 000 | 10 125 | 875 |
| 0053 | Data processing services | 30 560 | 30 560 | 29 450 | 1 110 |
| 0081 | Facilities acquisition and construction | 382 000 | 382 000 | 172 545 | 209 455 |
| 0093 | Payments to fiscal agents | 95 000 | 95 115 | 95 115 | - |
| 6030 | TOTAL EXPENDITURES | <u>5 484 314</u> | <u>5 514 314</u> | <u>5 044 245</u> | <u>470 069</u> |
| 1100 | EXCESS (DEFICIT) REVENUE OVER (UNDER) EXPENDITURES | <u>-</u> | <u>-</u> | <u>888 582</u> | <u>888 582</u> |
| Other Financing Sources and (Uses): | | | | | |
| 8911 | Transfer out | <u>(953 341)</u> | <u>(953 341)</u> | <u>(1 623 712)</u> | <u>(670 371)</u> |
| 7080 | TOTAL OTHER FINANCING SOURCES | <u>(953 341)</u> | <u>(953 341)</u> | <u>(1 623 712)</u> | <u>(670 371)</u> |
| 1200 | NET CHANGE IN FUND BALANCES | (953 341) | (953 341) | (735 130) | 218 211 |
| 0100 | Fund balances - Beginning | <u>4 297 058</u> | <u>4 297 058</u> | <u>4 297 058</u> | <u>-</u> |
| 3000 | FUND BALANCES - ENDING | <u>\$ 3 343 717</u> | <u>\$ 3 343 717</u> | <u>\$ 3 561 928</u> | <u>\$ 218 211</u> |

See independent auditors' report.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
LAST TEN FISCAL YEARS*

EXHIBIT G-2

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| District's proportion of the net pension liability (asset) | 0.0007% | 0.0008% | 0.0008% | 0.0008% | 0.0009% | 0.00128% |
| District's proportionate share of the net pension liability (asset) | \$ 387 870 | \$ 468 329 | \$ 264 174 | \$ 318 756 | \$ 328 990 | \$ 342 921 |
| State's proportionate share of the net pension liability (asset) associated with the District | <u>2 406 130</u> | <u>2 700 556</u> | <u>1 612 043</u> | <u>2 034 579</u> | <u>1 935 693</u> | <u>1 530 510</u> |
| TOTAL | <u>\$ 2 794 000</u> | <u>\$ 3 168 885</u> | <u>\$ 1 876 217</u> | <u>\$ 2 353 335</u> | <u>\$ 2 264 683</u> | <u>\$ 1 873 431</u> |
| District's covered-employee payroll | \$ 2 833 462 | \$ 2 889 097 | \$ 2 820 717 | \$ 2 844 756 | \$ 2 754 905 | \$ 2 588 402 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 13.69% | 16.21% | 9.37% | 11.21% | 11.94% | 13.25% |
| Plan fiduciary net position as a percentage of the total pension liability | 75.24% | 73.74% | 82.17% | 78.00% | 78.43% | 83.25% |

* This schedule illustrates the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS*

EXHIBIT G-3

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution | \$ 70 628 | \$ 23 732 | \$ 28 446 | \$ 27 078 | \$ 26 402 | \$ 27 600 |
| Contributions in relation to the contractually required contribution | <u>(70 628)</u> | <u>(23 732)</u> | <u>(28 446)</u> | <u>(27 078)</u> | <u>(26 402)</u> | <u>(27 600)</u> |
| CONTRIBUTION DEFICIENCY (EXCESS) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 3 094 576 | \$ 2 833 462 | \$ 2 889 097 | \$ 2 820 717 | \$ 2 844 756 | \$ 2 754 905 |
| Contributions as a percentage of covered- employee payroll | 2.28% | 0.84% | 0.98% | 0.96% | 0.93% | 1.00% |

* This schedule illustrates the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF OPEB LIABILITY
AND DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
LAST TEN FISCAL YEARS*

EXHIBIT G-4

| District's Proportionate Share of Liability | 2019 | 2018 | 2017 |
|--|---------------------|---------------------|---------------------|
| District's proportion of the OPEBL | 0.0031% | 0.0033% | 0.0032% |
| District's proportionate share of the OPEBL | \$ 1 485 257 | \$ 1 648 641 | \$ 1 373 339 |
| State share of the OPEBL associated with the District | 1 973 574 | 2 549 639 | 2 271 126 |
| TOTAL | <u>\$ 3 458 831</u> | <u>\$ 4 198 280</u> | <u>\$ 3 644 465</u> |
| District's covered-employee payroll* <i>Prior FY TRS Gross - September through August</i> | \$ 2 833 462 | \$ 2 889 097 | \$ 2 820 717 |
| Proportionate share/covered payroll | 52.42% | 57.06% | 48.69% |
| Plan fiduciary net position/total OPEB liability | 2.66% | 1.57% | 0.91% |

| District Contributions | 2020 | 2019 | 2018 |
|--|--------------|--------------|--------------|
| Contractually required contribution | \$ 23 887 | \$ 21 787 | \$ 22 380 |
| Contributions to required contribution | (23 887) | (21 787) | (22 380) |
| CONTRIBUTION DEFICIENCY (EXCESS) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 3 094 576 | \$ 2 833 462 | \$ 2 889 097 |
| Contributions to covered payroll | 0.77% | 0.77% | 0.77% |

Information provided by the Teacher Retirement System of Texas.

* This schedule is illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 August 31, 2020

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 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 financial statements:

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after 10 days' public notice of the meeting has been given.
3. Prior to September 1, the budget is formally approved and adopted by the Board.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.

The appropriated budget is prepared by fund and function. The District's campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year-end and will be reappropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriations

For the fiscal year ended August 31, 2020, expenditures exceeded appropriations in the functions (the legal level of budgetary control) of the following fund:

| <u>Fund</u> | <u>Function</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--------------|------------------------|---------------------|---------------|-----------------|
| General fund | Health services | \$ 73 640 | \$ 74 179 | \$ (539) |
| General fund | General administration | \$ 499 443 | \$ 499 685 | \$ (242) |

COMBINING STATEMENTS
AS SUPPLEMENTARY INFORMATION

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, not a part of the basic financial statements, but are presented for purposes of additional analysis.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 August 31, 2020

| <u>DATA CONTROL CODES</u> | | 211 ESEA, TITLE I PART A - IMPROVING BASIC PROGRAMS | 240 NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM | 244 CARL PERKINS GRANT | 255 TITLE II PART A, TRAINING AND RECRUITING |
|-----------------------------------|--|--|--|---------------------------------|---|
| | ASSETS | | | | |
| 1110 | Cash and cash equivalents | \$ - | \$ - | \$ 3 | \$ 8 240 |
| 1240 | Due from other governments | 16 302 | 436 | - | - |
| 1260 | Due from other funds | - | 17 360 | - | - |
| 1000 | TOTAL ASSETS | <u>\$ 16 302</u> | <u>\$ 17 796</u> | <u>\$ 3</u> | <u>\$ 8 240</u> |
| | LIABILITIES | | | | |
| | Current Liabilities: | | | | |
| 2110 | Accounts payable | \$ - | \$ 6 193 | \$ - | \$ - |
| 2160 | Accrued wages payable | 4 695 | 6 354 | - | - |
| 2170 | Due to other funds | 10 808 | - | - | 8 240 |
| 2210 | Other accrued expenses | 799 | 5 249 | - | - |
| 2000 | TOTAL LIABILITIES | <u>16 302</u> | <u>17 796</u> | <u>-</u> | <u>8 240</u> |
| | Restricted Fund Balances: | | | | |
| 3450 | Federal/State funds grant restrictions | - | - | 3 | - |
| 3000 | TOTAL FUND BALANCES | <u>-</u> | <u>-</u> | <u>3</u> | <u>-</u> |
| 4000 | TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 16 302</u> | <u>\$ 17 796</u> | <u>\$ 3</u> | <u>\$ 8 240</u> |

See independent auditors' report.

Exhibit H-1

| 270 | 289 | 397 | 410 | 429 | TOTAL |
|--|----------------------|-------------------------------------|-----------------------|---|---|
| TITLE V, PART B RURAL EDUCATION | TEACHER INCENTIVE | ADVANCED PLACEMENT INITIATIVE | TEXTBOOK ALLOTMENT | STATE FUNDED SPECIAL REVENUE FUND | NONMAJOR GOVERNMENTAL FUNDS (SEE EXHIBIT C-1) |
| \$ - | \$ - | \$ 6 | \$ 22 568 | \$ - | \$ 30 817 |
| - | - | - | 45 | 25 000 | 41 783 |
| - | - | - | - | - | 17 360 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6</u> | <u>\$ 22 613</u> | <u>\$ 25 000</u> | <u>\$ 89 960</u> |
| | | | | | |
| \$ - | \$ - | \$ - | \$ 22 613 | \$ - | \$ 28 806 |
| - | - | - | - | - | 11 049 |
| - | - | - | - | 25 000 | 44 048 |
| - | - | - | - | - | 6 048 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>22 613</u> | <u>25 000</u> | <u>89 951</u> |
| | | | | | |
| - | - | 6 | - | - | 9 |
| - | - | 6 | - | - | 9 |
| <u>-</u> | <u>-</u> | <u>6</u> | <u>22 613</u> | <u>25 000</u> | <u>89 960</u> |

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended August 31, 2020

| DATA CONTROL CODES | | 211 ESEA, TITLE I PART A - IMPROVING BASIC PROGRAMS | 240 NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM | 244 CARL PERKINS GRANT | 255 TITLE II PART A, TRAINING AND RECRUITING |
|--------------------------|--|--|--|---------------------------------|---|
| | Revenues: | | | | |
| 5700 | Local and intermediate sources | \$ - | \$ 54 660 | \$ - | \$ - |
| 5800 | State program revenues | - | 11 657 | - | - |
| 5900 | Federal program revenues | <u>99 234</u> | <u>104 094</u> | <u>6 206</u> | <u>21 797</u> |
| 5020 | TOTAL REVENUES | <u>99 234</u> | <u>170 411</u> | <u>6 206</u> | <u>21 797</u> |
| | Expenditures: | | | | |
| | Current: | | | | |
| 0011 | Instruction | 90 946 | - | 5 554 | 20 997 |
| 0013 | Curriculum and staff development | 5 071 | - | - | - |
| 0021 | Instructional leadership | 2 489 | - | - | 800 |
| 0031 | Guidance, counseling, and evaluation services | - | - | 649 | - |
| 0035 | Food services | - | 279 108 | - | - |
| 0052 | Security and monitoring services | <u>728</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 6030 | TOTAL EXPENDITURES | <u>99 234</u> | <u>279 108</u> | <u>6 203</u> | <u>21 797</u> |
| | EXCESS (DEFICIENCY) REVENUE OVER (UNDER) EXPENDITURES | <u>-</u> | <u>(108 697)</u> | <u>3</u> | <u>-</u> |
| | Other Financing Sources and (Uses): | | | | |
| 7915 | Transfer in | <u>-</u> | <u>108 697</u> | <u>-</u> | <u>-</u> |
| | TOTAL OTHER FINANCING SOURCES AND (USES) | <u>-</u> | <u>108 697</u> | <u>-</u> | <u>-</u> |
| 1200 | NET CHANGE IN FUND BALANCES | - | - | 3 | - |
| 0100 | Fund balances - Beginning | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 3000 | FUND BALANCES - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3</u> | <u>\$ -</u> |

See independent auditors' report.

| 270 | 289 | 397 | 410 | 429 | TOTAL |
|--|----------------------|-------------------------------------|-----------------------|---|---|
| TITLE V, PART B RURAL EDUCATION | TEACHER INCENTIVE | ADVANCED PLACEMENT INITIATIVE | TEXTBOOK ALLOTMENT | STATE FUNDED SPECIAL REVENUE FUND | NONMAJOR GOVERNMENTAL FUNDS (SEE EXHIBIT C-2) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 54 660 |
| - | - | 6 | 79 585 | 25 000 | 116 248 |
| <u>5 923</u> | <u>41 438</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>278 692</u> |
| <u>5 923</u> | <u>41 438</u> | <u>6</u> | <u>79 585</u> | <u>25 000</u> | <u>449 600</u> |
| 5 423 | 35 638 | - | 87 268 | - | 245 826 |
| - | - | - | - | - | 5 071 |
| 500 | 800 | - | - | - | 4 589 |
| - | - | - | - | - | 649 |
| - | - | - | - | - | 279 108 |
| - | 5 000 | - | - | 25 000 | 30 728 |
| <u>5 923</u> | <u>41 438</u> | <u>-</u> | <u>87 268</u> | <u>25 000</u> | <u>565 971</u> |
| - | - | 6 | (7 683) | - | (116 371) |
| - | - | - | 7 683 | - | 116 380 |
| - | - | - | 7 683 | - | 116 380 |
| - | - | 6 | - | - | 9 |
| - | - | - | - | - | - |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9</u> |

OTHER SUPPLEMENTARY INFORMATION

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
Fiscal Year Ended August 31, 2020

| LAST 10 YEARS ENDED AUGUST 31, | (1) (2) TAX RATES | | (3) ASSESSED/APPRaisal VALUE FOR SCHOOL TAX PURPOSES | |
|-----------------------------------|---|--------------|---|-------------|
| | MAINTENANCE | DEBT SERVICE | | |
| 2011 and prior years | Various | Various | Various | |
| 2012 | 1.170000 | 0.000000 | \$ | 186 103 590 |
| 2013 | 1.170000 | 0.000000 | \$ | 206 613 000 |
| 2014 | 1.100000 | 0.000000 | \$ | 224 240 481 |
| 2015 | 1.040000 | 0.000000 | \$ | 234 612 692 |
| 2016 | 1.040000 | 0.000000 | \$ | 237 161 250 |
| 2017 | 1.040000 | 0.000000 | \$ | 249 801 250 |
| 2018 | 1.040000 | 0.000000 | \$ | 262 150 096 |
| 2019 | 1.040000 | 0.000000 | \$ | 269 449 135 |
| 2020 (School year under audit) | 0.970000 | 0.000000 | \$ | 294 852 681 |
| TOTALS | | | | |

See independent auditors' report.

EXHIBIT J-1

| (10) BEGINNING BALANCE 09/01/2019 | (20) CURRENT YEAR'S TOTAL LEVY | (31) MAINTENANCE COLLECTIONS | (32) DEBT SERVICE COLLECTIONS | (40) ENTIRE YEAR'S ADJUSTMENTS | (50) ENDING BALANCE 08/31/2020 |
|--|---|------------------------------------|--|---|---|
| \$ 295 454 | \$ - | \$ 6 861 | \$ - | \$ (21 090) | \$ 267 503 |
| 31 419 | - | 1 279 | - | 245 | 30 385 |
| 31 780 | - | 1 095 | - | (1 011) | 29 674 |
| 31 834 | - | 1 779 | - | (1 022) | 29 033 |
| 37 102 | - | 2 891 | - | (1 209) | 33 002 |
| 38 612 | - | 3 319 | - | (1 402) | 33 891 |
| 45 027 | - | 6 286 | - | (1 434) | 37 307 |
| 66 879 | - | 8 790 | - | (2 181) | 55 908 |
| 105 495 | - | 37 766 | - | (6 252) | 61 477 |
| <u>-</u> | <u>2 860 071</u> | <u>2 726 832</u> | <u>-</u> | <u>(500)</u> | <u>132 739</u> |
| <u>\$ 683 602</u> | <u>\$ 2 860 071</u> | <u>\$ 2 796 898</u> | <u>\$ -</u> | <u>\$ (35 856)</u> | <u>\$ 710 919</u> |

BROOKELAND INDEPENDENT SCHOOL DISTRICT
CHILD NUTRITION FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2020

EXHIBIT J-2

| DATA CONTROL CODES | | BUDGETED AMOUNTS | | ACTUAL AMOUNTS | VARIANCE WITH FINAL BUDGET POSITIVE OR (NEGATIVE) |
|--------------------------|-------------------------------------|---------------------|------------------|-------------------|--|
| | | ORIGINAL | FINAL | | |
| | Revenues: | | | | |
| 5700 | Local and intermediate sources | \$ 138 341 | \$ 138 341 | \$ 54 660 | \$ (83 681) |
| 5800 | State program revenues | 1 360 | 1 360 | 11 657 | 10 297 |
| 5900 | Federal program revenues | 156 000 | 156 000 | 104 094 | (51 906) |
| 5020 | TOTAL REVENUES | <u>295 701</u> | <u>295 701</u> | <u>170 411</u> | <u>(125 290)</u> |
| | Expenditures: | | | | |
| 0035 | Food services | 295 701 | 295 701 | 279 108 | 16 593 |
| 6030 | TOTAL EXPENDITURES | <u>295 701</u> | <u>295 701</u> | <u>279 108</u> | <u>16 593</u> |
| | EXCESS REVENUE OVER EXPENDITURES | <u>-</u> | <u>-</u> | <u>(108 697)</u> | <u>(108 697)</u> |
| | Other Financing Sources: | | | | |
| 7915 | Transfers in | 53 341 | 53 341 | 108 697 | 55 356 |
| | TOTAL OTHER FINANCING SOURCES | <u>53 341</u> | <u>53 341</u> | <u>108 697</u> | <u>55 356</u> |
| 1200 | NET CHANGE IN FUND BALANCES | 53 341 | 53 341 | - | (53 341) |
| 0100 | Fund balances - Beginning | - | - | - | - |
| 3000 | FUND BALANCES - ENDING | <u>\$ 53 341</u> | <u>\$ 53 341</u> | <u>\$ -</u> | <u>\$ (53 341)</u> |

See independent auditors' report.

COMPLIANCE SECTION

INDEPENDENT AUDITORS' 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
Brookeland Independent School District
Brookeland, Texas

Members of the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governing Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brookeland Independent School District (the District) as of and for the fiscal year ended August 31, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 19, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Lufkin, Texas
November 19, 2020


CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

Board of Trustees
Brookeland Independent School District
Brookeland, Texas

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Lufkin, Texas
November 19, 2020


CERTIFIED PUBLIC ACCOUNTANTS

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended August 31, 2020

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

Material control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(s) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? Yes No

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 84.041 | Impact Aid |

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

Auditee qualified as low-risk auditee? Yes No

B. Financial Statement Findings

NONE

BROOKELAND INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2020

NONE

BROOKELAND INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
For the Year Ended August 31, 2020

There were no audit findings; therefore, no corrective action plan was required.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2020

Exhibit K-1

| (1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE | (2) FEDERAL CFDA NUMBER | (3) PASS THROUGH GRANTOR | (4) FEDERAL EXPENDITURES |
|--|----------------------------------|-----------------------------------|--------------------------------|
| U.S. Department of Education: | | | |
| Direct: | | | |
| Impact Aid | 84.041 | S041A-2018-4832 | \$ 1 372 452 |
| Application for Small, Rural School Achievement Programs | 84.358A | S358A153232 | 35 377 |
| Career and Technical Education | 84.048 | N/A | 6 206 |
| Passed Through State Department of Education: | | | |
| ESEA Title I, Part A - Improving Basic Programs | 84.010A | 19610101121902 | 99 234 |
| ESEA Title II, Part A - Teacher and Principal Training and Recruiting | 84.367A | 19694501121902 | 21 797 |
| Title IV, Part A, Subpart 1 | 84.424A | 19680101121902 | 11 984 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | <u>1 547 050</u> |
| U.S. Department of Agriculture: | | | |
| Child Nutrition Cluster: | | | |
| Passed Through State Department of Agriculture - Non Cash Assistance: | | | |
| National School Lunch Program | 10.555 | 00640 | 14 597 |
| Passed Through State Department of Education - Cash Assistance: | | | |
| School Breakfast Program | 10.553 | 71401901 | 19 636 |
| National School Lunch Program | 10.555 | 71301901 | 69 861 |
| TOTAL CHILD NUTRITION CLUSTER | | | <u>104 094</u> |
| Forest Service Schools and Roads Cluster: | | | |
| Passed Through Jasper County: | | | |
| Schools and Roads - Grants to States (Forest) | 10.665 | N/A | 3 830 |
| Passed Through Sabine County: | | | |
| Schools and Roads - Grants to States (Forest) | 10.665 | N/A | 15 789 |
| Schools and Roads - Grants to Counties (Mineral) | 10.666 | N/A | 25 653 |
| Passed Through San Augustine County: | | | |
| Schools and Roads - Grants to State (Forest) | 10.665 | N/A | 1 556 |
| Schools and Roads - Grants to Counties (Mineral) | 10.666 | N/A | 850 |
| Passed Through State Comptroller of Public Accounts: | | | |
| Federal Flood Area | 10.665 | N/A | 4 226 |
| TOTAL FOREST SERVICE SCHOOLS AND ROADS CLUSTER | | | <u>51 904</u> |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | <u>155 998</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 1 703 048</u> |

*Clustered programs as required by Compliance Supplement.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended August 31, 2020

1. General

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Brookeland Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in the preparation of, the general purpose financial statements. Special revenue funds are used to account for resources restricted to, or designed for, specific purposes by a grantor. Generally, unused balances are returned to the grantor at the close of the specific project period.

2. Basis of Accounting

The accounting and financial reporting treatment applied to Special Revenue funds is the current financial resource measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in fund balance. The modified accrual basis of accounting recognizes revenues in the accounting period in which they become measurable and available, and expenditures in the accounting period in which the liability is incurred, except for unmatured interest on long-term debt, which is recognized when matured, and certain compensated absences, pension liability, other post-employment benefits, and claims, which are recognized when the obligations are expected to be liquidated with expendable available resources. Grant funds are considered to be earned as soon as all eligibility requirements imposed by the provider are met and expenditures have been incurred, and, accordingly, when such funds are received in advance, they are recorded as deferred revenue until earned.

3. Availability of Funds

The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the project period extended 30 days beyond the project period ending date.

4. Indirect Cost

The District does not use an indirect cost rate in federal programs.

5. Presented below is a reconciliation of federal revenues:

| | |
|--|---------------------|
| Total expenditures of federal awards per Exhibit K-1 | \$ 1 703 048 |
| General Fund - Federal Revenue: | |
| SHARS | <u>52 244</u> |
| TOTAL FEDERAL REVENUES PER EXHIBIT C-2 | \$ <u>1 755 292</u> |

BROOKELAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED
SCHOOL FIRST INDICATORS
As of August 31, 2020

Exhibit L-1

| DATA CONTROL CODES | | RESPONSES |
|--------------------------|---|-----------|
| SF1 | Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole? | Yes |
| SF2 | Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any debt agreement at fiscal year end? | No |
| SF3 | Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? | Yes |
| SF4 | Was the school district issued a warrant hold? | No |
| SF5 | Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? | No |
| SF6 | Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? | No |
| SF7 | Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administration Code and other statutes, laws, rules that were in effect at the school district fiscal year end? | Yes |
| SF8 | Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget? | Yes |
| SF9 | Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end. | \$ N/A |