

BROOKELAND INDEPENDENT SCHOOL DISTRICT
Brookeland, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2019

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INTRODUCTORY SECTION

BROOKELAND INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD
August 31, 2019

Brookeland Independent School District
Name of School District

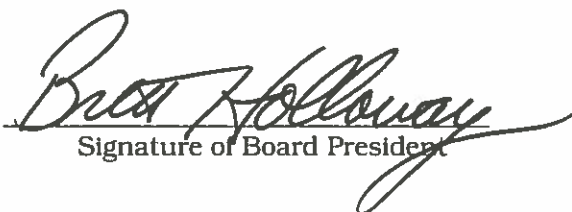
Jasper
County

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, 2019, at a meeting of the Board of Trustees of such school district on the 19th day of December, 2019.



Signature of Board Secretary



Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):
(attach list 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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2019, and the respective changes in financial position, 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 December 19, 2019, 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
December 19, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2019.

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 \$13,972,665 (*net position*). Of this amount, \$5,214,309 (*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 \$436,371 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 \$6,879,086, a decrease of \$1,144,120 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,297,058, or 84 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 seven 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. Data from the other six 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 \$13,972,665 at the close of the most recent fiscal year.

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

	GOVERNMENTAL ACTIVITIES					
	2019		2018		INCREASE (DECREASE)	
	AMOUNT	%	AMOUNT	%	AMOUNT	%
Current and other assets	\$ 8 281 582	49	\$ 8 862 590	55	\$ (581 008)	(7)
Capital and non-current assets	8 758 356	51	7 150 214	45	1 608 142	22
TOTAL ASSETS	<u>17 039 938</u>	100	<u>16 012 804</u>	100	<u>1 027 134</u>	
Deferred outflows	<u>442 896</u>	100	<u>66 941</u>	100	<u>375 955</u>	562
Noncurrent liabilities outstanding	2 116 970	74	1 637 513	89	479 457	29
Other liabilities	753 074	26	201 132	11	551 942	274
TOTAL LIABILITIES	<u>2 870 044</u>	100	<u>1 838 645</u>	100	<u>1 031 399</u>	
Deferred inflows	<u>640 125</u>	100	<u>704 806</u>	100	<u>(64 681)</u>	(9)
Net Position:						
Net investments in capital assets	8 758 356	63	7 150 214	53	1 608 142	22
Unrestricted	5 214 309	37	6 386 080	47	(1 171 771)	(18)
TOTAL NET POSITION	<u>\$ 13 972 665</u>	100	<u>\$ 13 536 294</u>	100	<u>\$ 436 371</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 \$13,972,665 at August 31, 2019 results from several factors.

Net investment in capital assets (\$8,758,356 or 65 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 (\$5,214,309 or 37 percent of net position) may be used to meet the District's ongoing obligations to students and creditors.

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

	GOVERNMENTAL ACTIVITIES					
	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenues:						
Program Revenues:						
Charges for services	\$ 71 857	1	\$ 73 809	1	\$ (1 952)	(3)
Operating grants and contributions	654 125	10	(305 496)	(6)	959 621	(314)
General Revenues:						
Property taxes	2 837 683	45	2 749 877	53	87 806	3
Grants and contributions	2 680 762	43	2 531 027	51	149 735	6
Investment earnings	21 895	-	29 965	1	(8 070)	(27)
Other	5 570	-	5 082	-	488	(4)
TOTAL REVENUES	<u>6 271 892</u>	100	<u>5 084 984</u>	100	<u>1 186 908</u>	
Expenses:						
Instruction	3 234 560	55	2 171 505	51	1 063 055	49
Instructional resources and media services	50 488	1	67 136	2	(16 648)	(25)
Curriculum and instructional staff development	18 336	-	9 754	-	8 582	88
Instructional leadership	14 039	-	11 397	-	2 642	23
School leadership	284 769	5	169 965	4	114 804	68
Guidance, counseling, and evaluation services	100 678	2	42 935	1	57 743	134
Health services	53 048	1	43 458	1	9 590	22
Extracurricular activities						
Student transportation	192 224	3	147 877	4	44 347	30
Food services	320 977	6	193 404	5	127 573	66
Extracurricular activities	260 385	4	239 941	6	20 444	9
General administration	523 860	9	374 191	9	149 669	40
Plant maintenance and operations	640 626	11	610 486	14	30 140	5
Security and monitoring services	14 480	-	6 740	-	7 740	115
Data processing services	29 563	1	27 760	1	1 803	6
Facilities repair and maintenance	12 844	-	3 197	-	9 647	302
Payments related to shared service arrangements	84 644	1	90 960	2	(6 316)	(7)
TOTAL EXPENSES	<u>5 835 521</u>	100	<u>4 210 706</u>	100	<u>1 624 815</u>	
CHANGE IN NET POSITION	<u>436 371</u>		<u>874 278</u>		<u>(437 907)</u>	
Net position, beginning	13 536 294		15 070 158		(1 533 864)	
Prior period adjustment	<u>-</u>		<u>(2 408 142)</u>		<u>2 408 142</u>	
NET POSITION, BEGINNING (RESTATEd)	<u>13 536 294</u>		<u>12 662 016</u>		<u>874 278</u>	
NET POSITION, ENDING	<u>\$ 13 972 665</u>		<u>\$ 13 536 294</u>		<u>\$ 436 371</u>	

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$3,334,887) represents 53 percent of total revenues and property taxes (\$2,837,683) represent 45 percent of total revenue. The remaining 2 percent is generated from charges for services, investment earnings, and miscellaneous.

The primary functional expense of the District is Instruction (\$3,234,560), which represents 55 percent of total expenses. Plant maintenance and operations (\$640,626) represents 11 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 \$6,879,086, a decrease of \$1,144,120 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 \$4,297,058, while total fund balance reached \$4,297,058. 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 84 percent of total general fund expenditures. The fund balance of the District's general fund decreased by \$3,726,148 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, 2019, amounts to \$8,758,356 (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:

- \$1,350,620 Facilities construction-in-progress
- \$12,290 A/C units

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

	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and improvements	\$ 164 310	2	\$ 164 310	2	\$ -	-
Construction in progress	1 912 790	22	19 500	-	1 893 290	9 709
Buildings and improvements	6 487 814	74	6 722 720	95	(234 906)	3
Furniture and equipment	193 442	2	243 684	3	(50 242)	21
TOTAL	<u>\$ 8 758 356</u>	100	<u>\$ 7 150 214</u>	100	<u>\$ 1 608 142</u>	

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					
	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Net pension liability	\$ 468 329	22	\$ 264 174	16	\$ 204 155	77
Net OPEB liability	1 648 641	78	1 373 339	84	275 302	20
BALANCE OF DEBT, END OF YEAR	<u>\$ 2 116 970</u>		<u>\$ 1 637 513</u>		<u>\$ 479 457</u>	

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 387 students.
- District staff totals 69 employees, which include 39 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 5.5 percent, Newton County at 5.4 percent, Sabine County at 6.0 percent, and San Augustine County at 4.8 percent. These compare unfavorably to the State's average unemployment rate of 3.4 percent.
- Property values of the District are projected to remain similar to current fiscal year for the 2019-2020 fiscal year.
- A maintenance and operations tax rate of \$0.97 was adopted for 2019-2020.

All of these factors were considered in preparing the District's budget for the 2019-2020 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, 2019

EXHIBIT A-1

DATA CONTROL CODES		1 GOVERNMENTAL ACTIVITIES
	ASSETS	
1110	Cash and cash equivalents	\$ 7 468 829
1220	Property taxes receivable	683 602
1230	Allowance for uncollectable taxes	(34 180)
1240	Due from other governments	148 497
1250	Accrued interest	1 647
1290	Other receivable	13 187
	Capital Assets:	
1510	Land and improvements; net	164 310
1520	Buildings and improvements, net	6 487 814
1530	Furniture and equipment, net	193 442
1580	Construction in process	1 912 790
1000	TOTAL ASSETS	17 039 938
	DEFERRED OUTFLOWS	
1700	Deferred outflows - Pension	227 032
1700	Deferred outflows - OPEB	215 864
	TOTAL DEFERRED OUTFLOWS	442 896
1000a	TOTAL ASSETS AND DEFERRED OUTFLOWS	17 482 834
	LIABILITIES	
2110	Accounts payable	610 687
2160	Accrued wages payable	116 456
2200	Other accrued expenses	25 931
	Noncurrent Liabilities:	
2540	Net pension liability	468 329
2545	Net OPEB liability	1 648 641
2000	TOTAL LIABILITIES	2 870 044
	DEFERRED INFLOWS	
2600	Deferred inflows - Pension	118 785
2600	Deferred inflows - OPEB	521 340
	TOTAL DEFERRED INFLOWS	640 125
	TOTAL LIABILITIES AND DEFERRED INFLOWS	3 510 169
	NET POSITION	
3200	Net investment in capital assets	8 758 356
3900	Unrestricted	5 214 309
3000	TOTAL NET POSITION	\$ 13 972 665

The accompanying notes are an integral part of this statement.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2019

EXHIBIT B-1

DATA CONTROL CODES	FUNCTIONS/PROGRAMS	1 EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION GOVERNMENTAL ACTIVITIES
			3 CHARGES FOR SERVICES	4 OPERATING GRANTS AND CONTRIBUTIONS	
	Governmental Activities:				
11	Instruction	\$ 3 234 560	\$ -	\$ 357 986	\$ (2 876 574)
12	Instruction resources and media services	50 488	-	2 443	(48 045)
13	Curriculum and staff development	18 336	-	9 715	(8 621)
21	Instructional leadership	14 039	-	2 507	(11 532)
23	School leadership	284 769	-	22 981	(261 788)
31	Guidance, counseling, and evaluation services	100 678	-	12 950	(87 728)
33	Health services	53 048	-	-	(53 048)
34	Student transportation	192 224	-	8 093	(184 131)
35	Food services	320 977	66 185	174 511	(80 281)
36	Extracurricular activities	260 385	5 672	10 069	(244 644)
41	General administration	523 860	-	27 711	(496 149)
51	Plant maintenance and operations	640 626	-	20 777	(619 849)
52	Security and monitoring	14 480	-	4 382	(10 098)
53	Data processing services	29 563	-	-	(29 563)
81	Facilities repair and maintenance	12 844	-	-	(12 844)
93	Payments related to shared services arrangements	84 644	-	-	(84 644)
TG	TOTAL GOVERNMENTAL ACTIVITIES	<u>5 835 521</u>	<u>71 857</u>	<u>654 125</u>	<u>(5 109 539)</u>
TP	TOTAL PRIMARY GOVERNMENT	<u>\$ 5 835 521</u>	<u>\$ 71 857</u>	<u>\$ 654 125</u>	<u>(5 109 539)</u>
General Revenues:					
MT	Property taxes, levied for general purposes				2 837 683
GC	Grants and contributions not restricted to specific programs				2 680 762
IE	Investment earnings				21 895
MI	Miscellaneous				5 570
TR	TOTAL GENERAL REVENUES				<u>5 545 910</u>
CN	CHANGE IN NET POSITION				436 371
NB	Net position - Beginning				<u>13 536 294</u>
NE	NET POSITION - ENDING				<u>\$ 13 972 665</u>

The accompanying notes are an integral part of this statement.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
August 31, 2019

EXHIBIT C-1

DATA CONTROL CODES		10	60	TOTAL NONMAJOR FUNDS	98 TOTAL GOVERN- MENTAL FUNDS
	GENERAL FUND	CAPITAL PROJECTS			
	ASSETS				
1110	Cash and cash equivalent	\$ 4 306 161	\$ 3 162 668	\$ -	\$ 7 468 829
1220	Property taxes receivable	683 602	-	-	683 602
1230	Allowance for uncollectible taxes	(34 180)	-	-	(34 180)
1240	Due from other governments	107 088	-	41 409	148 497
1250	Accrued interest	1 647	-	-	1 647
1260	Due from other funds	52 237	-	13 074	65 311
1290	Other receivables	13 187	-	-	13 187
1000	TOTAL ASSETS	<u>\$ 5 129 742</u>	<u>\$ 3 162 668</u>	<u>\$ 54 483</u>	<u>\$ 8 346 893</u>
	LIABILITIES				
	Liabilities:				
2110	Accounts payable	\$ 40 992	\$ 561 686	\$ 8 009	\$ 610 687
2160	Accrued wages payable	107 735	-	8 721	116 456
2170	Due to other funds	13 074	18 954	33 283	65 311
2200	Other accrued expense	21 461	-	4 470	25 931
2000	TOTAL LIABILITIES	<u>183 262</u>	<u>580 640</u>	<u>54 483</u>	<u>818 385</u>
	DEFERRED INFLOWS				
2600	Unavailable revenue	649 422	-	-	649 422
	TOTAL DEFERRED INFLOWS	<u>649 422</u>	<u>-</u>	<u>-</u>	<u>649 422</u>
	TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>832 684</u>	<u>580 640</u>	<u>54 483</u>	<u>1 467 807</u>
	FUND BALANCE				
3600	Unassigned	4 297 058	2 582 028	-	6 879 086
3000	TOTAL FUND BALANCE	<u>4 297 058</u>	<u>2 582 028</u>	<u>-</u>	<u>6 879 086</u>
4000	TOTAL LIABILITIES DEFERRED INFLOWS, AND FUND BALANCE	<u>\$ 5 129 742</u>	<u>\$ 3 162 668</u>	<u>\$ 54 483</u>	<u>\$ 8 346 893</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, 2019

EXHIBIT C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS BALANCE SHEET	\$ 6 879 086
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.	8 758 356
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.	649 422
Long-term liability for net pension and net OPEB liability is not due and payable in the current period and, therefore, is not reported as a liability in the funds.	
Net pension liability	(468 329)
Net OPEB liability	(1 648 641)
Deferred outflows of resources for pension 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.	227 032
Deferred inflows of resources for pension 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.	(118 785)
Deferred outflows of resources for OPEB 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.	215 864
Deferred inflows of resources for OPEB 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.	<u>(521 340)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1)	<u>\$ 13 972 665</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, 2019

EXHIBIT C-2

DATA CONTROL CODES	10 GENERAL FUND	60 CAPITAL PROJECTS FUND	98 OTHER GOVERN- MENTAL FUNDS	TOTAL GOVERN- MENTAL FUNDS	
Revenues:					
5700	Local and intermediate sources	\$ 2 853 370	6 280	\$ 66 185	\$ 2 925 835
5800	State program revenues	1 147 877	-	21 332	1 169 209
5900	Federal program revenues	1 532 885	-	272 769	1 805 654
5020	TOTAL REVENUES	<u>5 534 132</u>	<u>6 280</u>	<u>360 286</u>	<u>5 900 698</u>
Expenditures:					
Current:					
0011	Instruction	2 713 343	-	116 848	2 830 191
0012	Instructional resources and media services	30 809	-	-	30 809
0013	Curriculum and staff development	4 790	-	9 715	14 505
0021	Instructional leadership	11 532	-	2 507	14 039
0023	School leadership	246 241	-	-	246 241
0031	Guidance, counseling and evaluation services	79 346	-	560	79 906
0033	Health services	53 048	-	-	53 048
0034	Student transportation	146 464	-	-	146 464
0035	Food services	11 995	-	283 879	295 874
0036	Extracurricular activities	207 934	-	-	207 934
0041	General administration	477 402	-	-	477 402
0051	Plant maintenance and operations	601 294	-	-	601 294
0052	Security and monitoring services	10 098	-	4 382	14 480
0053	Data processing services	29 563	-	-	29 563
0081	Capital outlay	414 135	1 504 289	-	1 918 424
0093	Payments to shared service arrangements	84 644	-	-	84 644
6030	TOTAL EXPENDITURES	<u>5 122 638</u>	<u>1 504 289</u>	<u>417 891</u>	<u>7 044 818</u>
1100	EXCESS (DEFICIT) REVENUE OVER (UNDER) EXPENDITURES	<u>411 494</u>	<u>(1 498 009)</u>	<u>(57 605)</u>	<u>(1 144 120)</u>
Other Financing Sources and (Uses):					
7915	Transfers in	-	4 080 037	57 605	4 137 642
8911	Transfers out	(4 137 642)	-	-	(4 137 642)
7080	TOTAL OTHER FINANCING	<u>(4 137 642)</u>	<u>4 080 037</u>	<u>57 605</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	(3 726 148)	2 582 028	-	(1 144 120)
0100	Fund balances - Beginning	<u>8 023 206</u>	<u>-</u>	<u>-</u>	<u>8 023 206</u>
3000	FUND BALANCES - ENDING	<u>\$ 4 297 058</u>	<u>\$ 2 582 028</u>	<u>\$ -</u>	<u>\$ 6 879 086</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, 2019

EXHIBIT C-3

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (1 144 120)
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Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense.	1 905 580
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The depreciation of capital assets used in governmental activities is not reported in the funds.	(297 438)
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Certain property tax revenues are recorded as unearned in the funds. This is the change in these amounts this year.	11 170
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The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.	(9 918)
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The net change in net OPEB liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.	(28 903)
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CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1)	\$ 436 371
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The accompanying notes are an integral part of this statement.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
August 31, 2019

EXHIBIT E-1

DATA CONTROL CODES		AGENCY FUNDS
	ASSETS	
1110	Cash and cash equivalents	\$ <u>34 000</u>
1000	TOTAL ASSETS	\$ <u>34 000</u>
	LIABILITIES	
	Current Liabilities:	
2190	Due to student groups	\$ <u>34 000</u>
2000	TOTAL LIABILITIES	\$ <u>34 000</u>

The accompanying notes are an integral part of this statement.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2019

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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:

Capital Asset Classes	Lives
Buildings and improvements	10-40
Furniture and equipment	5-40

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.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2019

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.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

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.
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, 2019.

For the fiscal year ended August 31, 2019, expenditures exceeded appropriations in the functions (the legal level of budgetary control) of the following fund:

FUND	FUNCTION	FINAL BUDGET	ACTUAL	VARIANCE
General Fund	Student Transportation	\$ 141 905	\$ 146 464	\$ (4 559)

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.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 3 - DETAILED NOTES ON ALL FUNDS

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.

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, 2019, 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.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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	\$	9 180
TOTAL CHANGE IN UNCOLLECTIBLES OF THE CURRENT FISCAL YEAR	\$	9 180

C. Interfund Receivables, Payables and Transfers

1. Receivables/Payables

The composition of interfund balances as of August 31, 2019 is as follows:

FUND	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General fund	\$ 52 237	\$ 13 074
Nonmajor governmental funds	13 074	52 237
TOTAL - ALL FUNDS	\$ 65 311	\$ 65 311

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, 2019.

TRANSFER FROM	TRANSFER TO	AMOUNT
General Fund	National School Breakfast and Lunch Program	\$ 57 605
General Fund	Capital Projects Fund	4 080 037
TOTAL		\$ 4 137 642

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, 2019

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Capital Assets

Capital asset activity for the district for the year ended August 31, 2019 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	<u>19 500</u>	<u>1 893 290</u>	<u>-</u>	<u>-</u>	<u>1 912 790</u>
TOTAL NON-DEPRECIABLE ASSETS	<u>183 810</u>	<u>1 893 290</u>	<u>-</u>	<u>-</u>	<u>2 077 100</u>
Depreciable Assets:					
Buildings and improvements	9 440 893	12 290	-	-	9 453 183
Furniture and equipment	<u>1 184 821</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 184 821</u>
TOTAL DEPRECIABLE ASSETS	<u>10 625 714</u>	<u>12 290</u>	<u>-</u>	<u>-</u>	<u>10 638 004</u>
Less Accumulated Depreciation:					
Buildings and improvements	(2 718 173)	(247 196)	-	-	(2 965 369)
Furniture and equipment	<u>(941 137)</u>	<u>(50 242)</u>	<u>-</u>	<u>-</u>	<u>(991 379)</u>
TOTAL ACCUMULATED DEPRECIATION	<u>(3 659 310)</u>	<u>(297 438)</u>	<u>-</u>	<u>-</u>	<u>(3 956 748)</u>
GOVERNMENTAL ACTIVITIES					
CAPITAL ASSETS, NET	<u>\$ 7 150 214</u>	<u>\$ 1 608 142</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8 758 356</u>

Depreciation expense was charged to governmental functions as follows:

11 Instruction	\$ 137 228
12 Instructional resources and media services	16 973
13 Curriculum and instructional staff development	3 831
23 School leadership	13 069
31 Guidance, counseling, and evaluation services	7 046
34 Student transportation	36 794
35 Food services	9 126
36 Extracurricular activities	41 297
41 General administration	15 759
51 Plant maintenance and operations	<u>16 315</u>
TOTAL DEPRECIATION EXPENSE	<u>\$ 297 438</u>

Construction Commitments

The District has commitments related to construction projects as of August 31, 2019. The projects include the construction and equipment of school facilities. At August 31, 2019, the District commitments with contractors for the school security construction project totals approximately \$3.96 million.

The commitment for construction and equipment of school facilities will be financed by the general fund.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - CONTINUED

E. Revenues from Local and Intermediate Sources

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

	GENERAL	CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUNDS	TOTALS
Property taxes	\$ 2 826 513	\$ -	\$ -	\$ 2 826 513
Investment income	15 615	6 280	-	21 895
Food sales	-	-	66 185	66 185
Other	11 242	-	-	11 242
TOTALS	\$ 2 853 370	\$ 6 280	\$ 66 185	\$ 2 925 835

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.

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, 2019, 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 \$___ per month, per employee to the Plan. Employees, at their opinion, 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.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 4 - OTHER INFORMATION

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, 2019, 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, 2019

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 2018 and 2019.

	CONTRIBUTION RATES	
	2018	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer Contributions - 2019	\$	23 732
Member Contributions - 2019	\$	218 176
NECE On-behalf Contributions - 2018	\$	165 179

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.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

NOTE 4 - OTHER INFORMATION - CONTINUED

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.

Actuarial Assumptions:

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

Valuation Date	August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term Expected Investment Rate of Return	7.25%
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 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

NOTE 4 - OTHER INFORMATION - CONTINUED

ASSET CLASS	TARGET ALLOCATION*	LONG-TERM EXPECTED ARITHMETIC REAL RATE OF RETURN	EXPECTED CONTRIBUTION TO LONG-TERM PORTFOLIO RETURNS**
Global Equity			
U.S.	18%	5.70%	1.04%
Non-U.S. Developed	13%	6.90%	0.90%
Emerging Markets	9%	8.95%	0.80%
Directional Hedge Funds	4%	3.53%	0.14%
Private Equity	13%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11%	1.11%	0.12%
Absolute Return	- %	- %	- %
Stable Value Hedge Funds	4%	3.09%	0.12%
Cash	1%	(0.30)%	- %
Real Return			
Global Inflation Linked Bonds	3%	0.70%	0.02%
Real Assets	14%	5.21%	0.73%
Energy and Natural Resources	5%	7.48%	0.37%
Commodities	- %	- %	- %
Risk Parity			
Risk Parity	5%	3.70%	0.18%
Inflation Expectation			2.30%
Volatility Drag**			(0.79)%
Total	<u>100%</u>		<u>7.25%</u>

* 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, 2018, the annual money-weighted rate of return on pension plan investments was 7.5 percent. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 (8%) in measuring the Net Pension Liability.

	1% DECREASE IN DISCOUNT RATE (5.907%)	DISCOUNT RATE (6.907%)	1% INCREASE IN DISCOUNT RATE (7.907%)
District proportionate share of the net pension liability	\$ 710 130	\$ 464 329	\$ 273 039

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

At August 31, 2019, the District reported a liability of \$464,329 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	\$ 468 329
State's proportionate share of the net pension liability associated with the District	<u>2 700 556</u>
TOTAL	<u>\$ 3 168 885</u>

The net pension liability was measured as of August 31, 2018 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, 2017 thru August 31, 2018.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

NOTE 4 - OTHER INFORMATION - CONTINUED

At August 31, 2018 the District's proportion of the collective net pension liability was 0.0008%, the same as the proportion at August 31, 2017.

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, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.

Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.

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

The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.

The long term assumed rate of return changed from 8.0 percent to 7.25 percent.

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, 2019, the District recognized pension expense of \$267,283 and revenue of \$267,283 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	\$ 2 919	\$ 11 491
Changes in actuarial assumptions	168 855	5 277
Difference between projected and actual investment earnings	24 339	33 225
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	7 187	68 792
Contributions paid to TRS subsequent to the measurement date	23 732	-
TOTAL	\$ 227 032	\$ 118 785

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
2020	\$ 17 510
2021	\$ (1 191)
2022	\$ (3 983)
2023	\$ 24 232
2024	\$ 28 593
Thereafter	\$ 19 354

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

NOTE 4 - OTHER INFORMATION - CONTINUED

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, 2018 - December 31, 2018			
		Medicare	Non-Medicare
Retiree*	\$	135	\$ 200
Retiree and Spouse		529	689
Retiree* and Children		468	408
Retiree and Family		1 020	999

* or surviving spouse

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

NOTE 4 - OTHER INFORMATION - CONTINUED

Contributions:

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75% 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>	
	2018	2019
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Employer Contributions - 2019	\$ 21 787	
Member Contributions - 2019	\$ 18 418	
NECE On-behalf Contributions - 2018	\$ 35 176	

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

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

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

NOTE 4 - OTHER INFORMATION - CONTINUED

Actuarial Assumptions:

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

Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018
Methods and Assumptions:	
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69% as of August 31, 2018
Demographic Assumptions	Based on the experience study performed for the Teachers Retirement System of Texas of the period ending August 31, 2017.
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. Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Aging Factors	Based on plan specific experience.
Expenses	Third party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.

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

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

Other Information: There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018.

Discount Rate:

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

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

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 (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of the net OPEB liability	\$ 1 962 449	\$ 1 648 641	\$ 1 400 398

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

At August 31, 2019, the District reported a liability of \$1,648,641 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	\$	1 648 641
State's proportionate share that is associated with District		2 549 639
TOTAL	\$	4 198 280

The Net OPEB Liability was measured as of August 31, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The 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, 2017 thru August 31, 2018.

At August 31, 2018, the employer's proportion of the collective Net OPEB Liability was 0.0033% which increased 0.0001% from the proportion measured as of August 31, 2017.

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

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
District's proportionate share of the net OPEB liability	\$ 1 962 449	\$ 1 648 641	\$ 1 400 398

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 2018. 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.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

NOTE 4 - OTHER INFORMATION - CONTINUED

3. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
4. The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability
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, 2019, the District recognized OPEB expense of \$92,741 and revenue of \$92,741 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 87 487	\$ 26 018
Changes in actuarial assumptions	27 511	495 322
Difference between projected and actual investment earnings	288	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	78 791	-
Contributions paid to TRS subsequent to the measurement date	21 787	-
TOTAL	\$ 215 864	\$ 521 340

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
2020	\$ (55 085)
2021	\$ (55 085)
2022	\$ (55 085)
2023	\$ (55 139)
2024	\$ (55 170)
Thereafter	\$ (51 699)

BROOKELAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 4 - OTHER INFORMATION - CONTINUED

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, 2019, 2018 and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$11,217, \$8,826 and \$8,217, 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.

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, 2019

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	\$ 2 586 500	\$ 2 586 500	\$ 2 853 370	\$ 266 870
5800	State program revenues	1 233 133	1 233 133	1 147 877	(85 256)
5900	Federal program revenues	1 485 452	1 485 452	1 532 885	47 433
5020	TOTAL REVENUES	<u>5 305 085</u>	<u>5 305 085</u>	<u>5 534 132</u>	<u>229 047</u>
Expenditures:					
Current:					
0011	Instruction	2 673 542	2 748 542	2 713 343	35 199
0012	Instructional resources and media services	38 130	41 130	30 809	10 321
0013	Curriculum and staff development	8 700	5 200	4 790	410
0021	Instructional leadership	8 000	11 600	11 532	68
0023	School leadership	247 553	252 553	246 241	6 312
0031	Guidance, counseling and evaluation services	78 484	93 984	79 346	14 638
0033	Health services	53 400	58 400	53 048	5 352
0034	Student transportation	138 405	141 905	146 464	(4 559)
0035	Food services	-	11 995	11 995	-
0036	Co-curricular/ extracurricular activities	237 559	237 559	207 934	29 625
0041	General administration	479 006	479 006	477 402	1 604
0051	Plant maintenance and operations	704 491	646 891	601 294	45 597
0052	Security and monitoring services	46 000	12 000	10 098	1 902
0053	Data processing services	28 100	30 100	29 563	537
0081	Facilities acquisition and construction	4 957 500	428 005	414 135	13 870
0093	Payments to fiscal agents	95 000	95 000	84 644	10 356
6030	TOTAL EXPENDITURES	<u>9 793 870</u>	<u>5 293 870</u>	<u>5 122 638</u>	<u>171 232</u>
1100	EXCESS (DEFICIT) REVENUE OVER (UNDER) EXPENDITURES	<u>(4 488 785)</u>	<u>11 215</u>	<u>411 494</u>	<u>400 279</u>
Other Financing Sources and (Uses):					
8911	Transfer out	(30 000)	(30 000)	(4 137 642)	(4 107 642)
7080	TOTAL OTHER FINANCING SOURCES	<u>(30 000)</u>	<u>(30 000)</u>	<u>(4 137 642)</u>	<u>(4 107 642)</u>
1200	NET CHANGE IN FUND BALANCES	(4 518 785)	(18 785)	(3 726 148)	(3 707 363)
0100	Fund balances - Beginning	8 023 206	8 023 206	8 023 206	-
3000	FUND BALANCES - ENDING	<u>\$ 3 504 421</u>	<u>\$ 8 004 421</u>	<u>\$ 4 297 058</u>	<u>\$ (3 707 363)</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

	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.0008%	0.0008%	0.0008%	0.0009%	0.00128%
District's proportionate share of the net pension liability (asset)	\$ 468 329	\$ 264 174	\$ 318 756	\$ 328 990	\$ 342 921
State's proportionate share of the net pension liability (asset) associated with the District	2 700 556	1 612 043	2 034 579	1 935 693	1 530 510
TOTAL	\$ 3 168 885	\$ 1 876 217	\$ 2 353 335	\$ 2 264 683	\$ 1 873 431
District's covered-employee payroll	\$ 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	16.21%	9.37%	11.21%	11.94%	13.25%
Plan fiduciary net position as a percentage of the total pension liability	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.

See independent auditors' report.

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

EXHIBIT G-3

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 23 732	\$ 28 446	\$ 27 078	\$ 26 402	\$ 27 600
Contributions in relation to the contractually required contribution	(23 732)	(28 446)	(27 078)	(26 402)	(27 600)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2 833 462	\$ 2 889 097	\$ 2 820 717	\$ 2 844 756	\$ 2 754 905
Contributions as a percentage of covered- employee payroll	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.

See independent auditors' report.

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	2018	2017
District's proportion of the OPEBL	0.0033%	0.0032%
District's proportionate share of the OPEBL	\$ 1 648 641	\$ 1 373 339
State share of the OPEBL associated with the District	2 549 639	2 271 126
TOTAL	\$ 4 198 280	\$ 3 644 465
District's covered-employee payroll* <i>Prior FY TRS Gross - September through August</i>	\$ 2 889 097	\$ 2 820 717
Proportionate share/covered payroll	57.06%	48.69%
Plan fiduciary net position/total OPEB liability	1.57%	0.91%
District Contributions		
	2019	2018
Contractually required contribution	\$ 21 787	\$ 22 380
Contributions to required contribution	(21 787)	(22 380)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -
District's covered payroll	\$ 2 833 462	\$ 2 889 097
Contributions to covered payroll	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.

See independent auditors' report.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 August 31, 2019

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, 2019, 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	Student transportation	\$ 141 905	\$ 146 464	\$ (4 559)

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, 2019

DATA CONTROL CODES		211 ESEA, TITLE I PART A - IMPROVING BASIC PROGRAMS	240 NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM	255 ESEA, TITLE II PART A, TEACHER AND PRINCIPAL TRAINING AND RECRUITING
	ASSETS			
1240	Due from other governments	\$ 17 175	\$ 3 598	\$ 8 240
1260	Due from other funds	-	13 074	-
1000	TOTAL ASSETS	<u>\$ 17 175</u>	<u>\$ 16 672</u>	<u>\$ 8 240</u>
	LIABILITIES			
	Current Liabilities:			
2110	Accounts payable	\$ -	\$ 6 720	\$ -
2160	Accrued wages payable	2 897	5 824	-
2170	Due to other funds	13 936	-	8 240
2210	Other accrued expenses	342	4 128	-
2000	TOTAL LIABILITIES	<u>17 175</u>	<u>16 672</u>	<u>8 240</u>
	Fund Balances:			
3000	TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 17 175</u>	<u>\$ 16 672</u>	<u>\$ 8 240</u>

See independent auditors' report.

Exhibit H-1

	289	331	410	429	TOTAL NONMAJOR FUNDS (SEE EXHIBIT C-1)
	RURAL EDUCATION ACHIEVEMENT GRANT	CARL PERKINS GRANT	STATE TEXTBOOK FUND	STATE FUNDED SPECIAL REVENUE FUND	
\$	5 593	\$ -	\$ 6 803	\$ -	\$ 41 409
	-	-	-	-	13 074
\$	<u>5 593</u>	<u>\$ -</u>	<u>\$ 6 803</u>	<u>\$ -</u>	<u>\$ 54 483</u>
\$	-	\$ -	\$ 1 289	\$ -	\$ 8 009
	-	-	-	-	8 721
	5 593	-	5 514	-	33 283
	-	-	-	-	4 470
	<u>5 593</u>	<u>-</u>	<u>6 803</u>	<u>-</u>	<u>54 483</u>
	-	-	-	-	-
\$	<u>5 593</u>	<u>\$ -</u>	<u>\$ 6 803</u>	<u>\$ -</u>	<u>\$ 54 483</u>

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended August 31, 2019

DATA CONTROL CODES		211 ESEA, TITLE I PART A - IMPROVING BASIC PROGRAMS	240 NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM	255 ESEA, TITLE II PART A, TEACHER AND PRINCIPAL TRAINING AND RECRUITING
	Revenues:			
5700	Local and intermediate sources	\$ -	\$ 66 185	\$ -
5800	State program revenues	-	9 826	-
5900	Federal program revenues	<u>92 815</u>	<u>150 263</u>	<u>8 790</u>
5020	TOTAL REVENUES	<u>92 815</u>	<u>226 274</u>	<u>8 790</u>
	Expenditures:			
	Current:			
0011	Instruction	80 427	-	8 189
0013	Curriculum and staff development	9 715	-	-
0021	Instructional leadership	1 906	-	601
0031	Guidance, counseling, and evaluation services	-	-	-
0035	Food services	-	283 879	-
0052	Security and monitoring services	<u>767</u>	<u>-</u>	<u>-</u>
6030	TOTAL EXPENDITURES	<u>92 815</u>	<u>283 879</u>	<u>8 790</u>
	EXCESS (DEFICIENCY) REVENUE OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(57 605)</u>	<u>-</u>
	Other Financing Sources and (Uses):			
7915	Transfer in	<u>-</u>	<u>57 605</u>	<u>-</u>
	TOTAL OTHER FINANCING SOURCES AND (USES)	<u>-</u>	<u>57 605</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	-	-	-
0100	Fund balances - Beginning	<u>-</u>	<u>-</u>	<u>-</u>
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

	289	331	410	429	
	RURAL EDUCATION ACHIEVEMENT GRANTS	CARL PERKINS GRANT	STATE TEXTBOOK FUND	STATE FUNDED SPECIAL REVENUE FUND	TOTAL NONMAJOR FUNDS (SEE EXHIBIT C-2)
\$	-	\$ -	\$ -	\$ -	\$ 66 185
	-	-	10 782	724	21 332
	<u>15 281</u>	<u>5 620</u>	<u>-</u>	<u>-</u>	<u>272 769</u>
	<u>15 281</u>	<u>5 620</u>	<u>10 782</u>	<u>724</u>	<u>360 286</u>
	11 666	5 060	10 782	724	116 848
	-	-	-	-	9 715
	-	-	-	-	2 507
	-	560	-	-	560
	-	-	-	-	283 879
	<u>3 615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4 382</u>
	<u>15 281</u>	<u>5 620</u>	<u>10 782</u>	<u>724</u>	<u>417 891</u>
	-	-	-	-	(57 605)
	-	-	-	-	57 605
	-	-	-	-	57 605
	-	-	-	-	-
	-	-	-	-	-
\$	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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, 2019

LAST 10 YEARS ENDED AUGUST 31,	(1) TAX RATES (2)		(3) ASSESSED/APPRaisal VALUE FOR SCHOOL TAX PURPOSES
	MAINTENANCE	DEBT SERVICE	
2010 and prior years	Various	Various	Various
2011	1.170000	0.000000	\$ 175 035 727
2012	1.170000	0.000000	\$ 186 103 590
2013	1.100000	0.000000	\$ 206 613 000
2014	1.040000	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 (School year under audit)	1.040000	0.000000	\$ 269 449 135
TOTALS			

See independent auditors' report.

EXHIBIT J-1

(10) BEGINNING BALANCE 09/01/2018	(20) CURRENT YEAR'S TOTAL LEVY	(31) MAINTENANCE COLLECTIONS	(32) DEBT SERVICE COLLECTIONS	(40) ENTIRE YEAR'S ADJUSTMENTS	(50) ENDING BALANCE 08/31/2019
\$ 295 375	\$ -	\$ 3 250	\$ -	\$ (26 014)	\$ 266 111
31 314	-	655	-	(1 316)	29 343
33 297	-	725	-	(1 153)	31 419
33 557	-	844	-	(933)	31 780
33 627	-	963	-	(830)	31 834
40 895	-	2 977	-	(816)	37 102
44 153	-	4 553	-	(988)	38 612
51 050	-	4 820	-	(1 203)	45 027
99 984	-	68 804	-	35 826	67 006
-	2 802 271	2 692 519	-	(4 384)	105 368
<u>\$ 663 252</u>	<u>\$ 2 802 271</u>	<u>\$ 2 780 110</u>	<u>\$ -</u>	<u>\$ (1 811)</u>	<u>\$ 683 602</u>

BROOKELAND INDEPENDENT SCHOOL DISTRICT
CHILD NUTRITION FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2019

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	\$ 85 000	\$ 85 000	\$ 66 185	\$ (18 815)
5800	State program revenues	8 585	8 585	9 826	1 241
5900	Federal program revenues	<u>156 000</u>	<u>156 000</u>	<u>150 263</u>	<u>(5 737)</u>
5020	TOTAL REVENUES	<u>249 585</u>	<u>249 585</u>	<u>226 274</u>	<u>(23 311)</u>
	Expenditures:				
0035	Food services	<u>290 769</u>	<u>290 769</u>	<u>283 879</u>	<u>6 890</u>
6030	TOTAL EXPENDITURES	<u>290 769</u>	<u>290 769</u>	<u>283 879</u>	<u>6 890</u>
	EXCESS REVENUE OVER EXPENDITURES	<u>(41 184)</u>	<u>(41 184)</u>	<u>(57 605)</u>	<u>(16 421)</u>
	Other Financing Sources:				
7915	Transfers in	<u>55 000</u>	<u>55 000</u>	<u>57 605</u>	<u>2 605</u>
	TOTAL OTHER FINANCING SOURCES	<u>55 000</u>	<u>55 000</u>	<u>57 605</u>	<u>2 605</u>
1200	NET CHANGE IN FUND BALANCES	13 816	13 816	-	(13 816)
0100	Fund balances - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	FUND BALANCES - ENDING	<u>\$ 13 816</u>	<u>\$ 13 816</u>	<u>\$ -</u>	<u>\$ (13 816)</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, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 19, 2019.

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
December 19, 2019


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, 2019. 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, 2019.

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
December 19, 2019


CERTIFIED PUBLIC ACCOUNTANTS

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended August 31, 2019

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, 2019

NONE

BROOKELAND INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
For the Year Ended August 31, 2019

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, 2019

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	5 593
Career and Technical Education	84.048	N/A	5 620
Passed Through State Department of Education:			
ESEA Title I, Part A - Improving Basic Programs	84.010A	19610101121902	92 815
ESEA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	19694501121902	8 790
Title IV, Part A, Subpart 1	84.424A	19680101121902	9 688
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1 494 958</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	14 925
Passed Through State Department of Education - Cash Assistance:			
School Breakfast Program	10.553	71401901	29 849
National School Lunch Program	10.555	71301901	105 489
TOTAL CHILD NUTRITION CLUSTER			<u>150 263</u>
Forest Service Schools and Roads Cluster:			
Passed Through Jasper County:			
Schools and Roads - Grants to States (Forest)	10.665	N/A	3 419
Passed Through Sabine County:			
Schools and Roads - Grants to States (Forest)	10.665	N/A	14 527
Schools and Roads - Grants to Counties (Mineral)	10.666	N/A	24 619
Passed Through San Augustine County:			
Schools and Roads - Grants to State (Forest)	10.665	N/A	4 011
TOTAL FOREST SERVICE SCHOOLS AND ROADS CLUSTER			<u>46 576</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>197 019</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1 691 797</u>

*Clustered programs as required by Compliance Supplement.

The accompanying notes are an integral part of this schedule.

BROOKELAND INDEPENDENT SCHOOL DISTRICT
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended August 31, 2019

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	\$	1 691 797
General Fund - Federal Revenue:		
SHARS		78 116
E-Rate		35 741
TOTAL FEDERAL REVENUES PER EXHIBIT C-2	\$	1 805 654

BROOKELAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED
SCHOOL FIRST INDICATORS
As of August 31, 2019

Exhibit L-1

<u>DATA CONTROL CODES</u>		<u>RESPONSES</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	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 make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ -
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 464 558
SF13	Pension Expense (6147) at fiscal year-end.	\$ -