



Financial Statements
August 31, 2020

De Leon Independent School
District

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Certificate of the Board

De Leon
Independent School District
Name of School District

Comanche
County

047-902
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and approved _____ disapproved _____ for the year ended August 31, 2020, at a meeting of the Board of Trustees of such school district on the 18th day of January, 2021.

Signature of Board Secretary

Signature of Board President

If the board of trustees disapproves of the auditor's report, the reason(s) for disapproving it is/are:
(attach list if necessary)



Independent Auditor's Report

The Board of School Trustees of
De Leon Independent School District
De Leon, Texas

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension plan schedules and OPEB plan schedules on pages 5 through 15 and 56 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements and the TEA required schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements.

The combining nonmajor fund financial statements, the TEA required schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the TEA required schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 13, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Abilene, Texas
January 13, 2021

The management of De Leon Independent School District ("the District") offer readers of the annual financial report this narrative discussion and analysis of the District's financial performance for the year ended August 31, 2020. Readers are encouraged to consider the information presented here in conjunction with the District's financial statements, which follow this analysis.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$11,076,164.
- During the year, the District's expenses were \$1,945,048 less than the \$12,430,508 generated in property taxes, grants and other revenues for governmental activities.
- The governmental funds financial statements reported combined ending fund balance of \$8,538,358 for the year ending August 31, 2020, an increase of \$2,109,903 in comparison with the prior year. This balance consists of \$4,842,459 in the General Fund which is unassigned and available for spending at the District's discretion. Restricted fund balance totals \$3,426,308 and is included in the Debt Service Fund. Committed fund balance of \$250,000 is held in the General Fund. Committed fund balance of \$19,591 is held in campus activity funds.
- The General Fund had \$9,094,129 in revenues, which primarily consisted of state aid and property taxes, \$7,305,257 in expenditures, and \$(9,609) in net other financing uses, which resulted in an increase in fund balance by \$1,779,263 for the year ended August 31, 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information.

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

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
 - The *governmental funds* statements tell how general government services were financed in the short term as well as what remains for future spending.
 - *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Major features of the District's government-wide and fund financial statements are summarized below:

Type of Statement	Government-Wide	Fund Financials	
		Governmental Funds	Fiduciary Funds
Scope	Entire District's government (except fiduciary funds)	The activities of the District that are not propriety or fiduciary	Instances in which the District is the trustee or agent for someone else's resources
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of change in net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after year-end, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	Agency funds do not report revenue and expenditures.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

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 company. These statements include:

The Statement of Net Position. The Statement of Net Position (Exhibit A-1) focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of what the District owns (assets), what it owes (liabilities), and the net difference (net position). Net position may be further separated into amounts restricted for specific purposes and unrestricted amounts. Over time, increases or decreases in the District's net position may serve as a useful indicator of whether the financial health is improving or deteriorating.

The Statement of Activities. The Statement of Activities (Exhibit B-1) presents information showing how the net position of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing for when cash is received or paid. 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).

To assess the overall health of the District, additional nonfinancial factors should be considered, such as changes in the District's property tax base, student enrollment, and facility conditions.

The government-wide financial statements of the District include:

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, rather than the District as a whole. 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. Some funds are required by State law and by bond covenants, while many other funds are established by the District to help manage resources for particular purposes and compliance with various grant provisions. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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, the Debt Service Fund and the SSA Special Education Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation as nonmajor funds.

Fiduciary Funds. The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that, because of a trust arrangement, may be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. Fiduciary funds are excluded from the District's government-wide financial statements because these resources are not available to finance District operations.

Notes to the Basic 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.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information, including schedules required by the Texas Education Agency.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's combined net position increased \$1.9 million from the previous year as can be seen on the following table.

	Governmental Activities	
	2020	2019
Assets		
Current and other assets	\$ 9,539,520	\$ 7,235,498
Capital assets	14,753,201	14,666,781
Total assets	24,292,721	21,902,279
Deferred outflows of resources	1,522,886	1,637,885
Liabilities		
Current liabilities	840,034	672,380
Noncurrent liabilities	11,754,152	12,230,212
Total liabilities	12,594,186	12,902,592
Deferred inflows of resources	2,145,257	1,506,456
Net position		
Net investment in capital assets	8,803,201	8,708,591
Restricted	3,427,959	3,121,773
Unrestricted	(1,154,996)	(2,699,248)
Total net position	\$ 11,076,164	\$ 9,131,116

The District's capital assets, which consist of the District's land, buildings, building improvements, vehicles, and equipment, represent approximately 61% percent of total assets. The remaining assets consist mainly of investments, cash, grants and property taxes receivable.

The District's long-term liabilities include general obligation bonds (47 percent) and net pension and OPEB liability (46 percent). Other liabilities consist almost entirely of payables on accounts and salaries and benefits (7 percent).

The District's net position includes its investment in capital assets (e.g., land, buildings, 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 related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (generally property taxes), since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the district's ongoing obligations to students, employees, and creditors.

The change in net position is attributed to increased payroll expenditures due to the passage of HB3 by the Texas Legislature offset by higher State revenue.

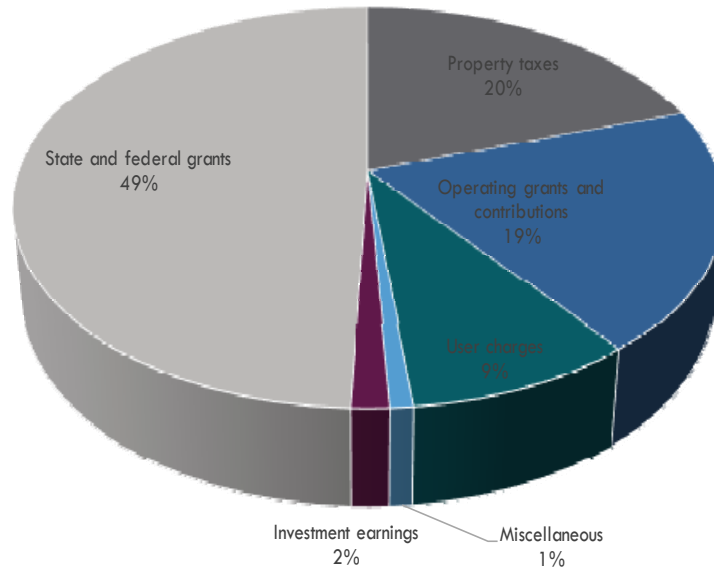
Governmental Activities

Funding is by the specific program revenue or through general revenues such as property taxes and investment earnings. Total revenues for the District's governmental activities decreased \$385,668 and total expenses increased \$1,142,853 which resulted in a net increase of net position of \$1,945,048.

Revenues

The District's total revenues were \$12,430,508, representing a decrease of \$385,668 from the previous year. The majority of this decrease is due to a \$2,104,204 decrease in the District's miscellaneous revenue due to prior year insurance proceeds related to storm damage. State aid increased by \$1,482,123 as a result of additional State funding. As seen on the next page, approximately 20 percent of the District's revenue comes from taxes while approximately 49 percent comes primarily from program revenue and state and federal sources.

Total Revenue by Source

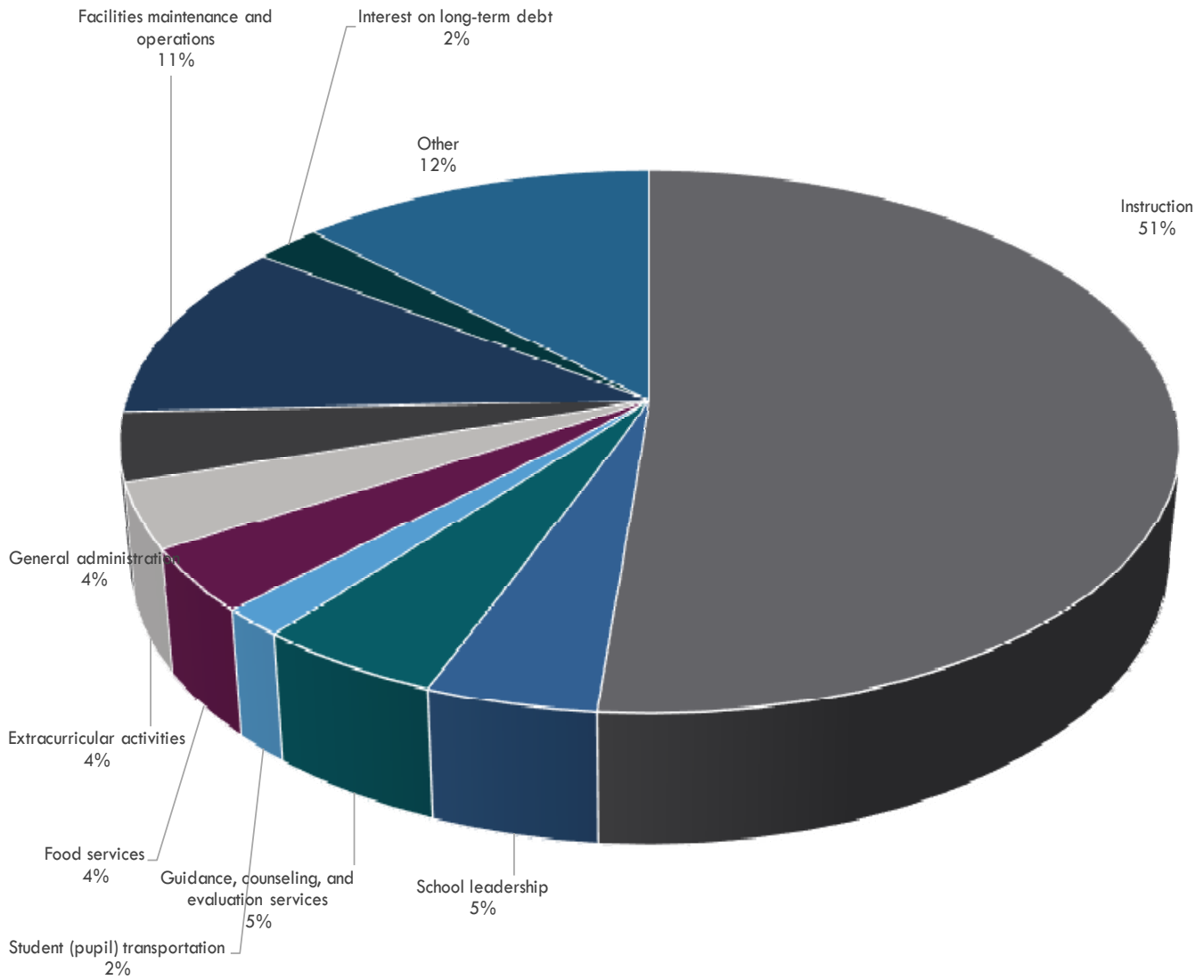


Expenses

The District's total expenses were \$10,485,460, representing an increase of \$1,142,853 from the previous year. The majority of the increase was attributed to instruction, facilities maintenance and operations, and data processing services. As seen on the next page, the District's primary functional expenses are:

- Instruction - \$5,383,294 or 51 percent of total expenses
- Facilities maintenance and operations - \$1,128,571, or 11 percent

Total Expenses by Source



De Leon Independent School District

Management's Discussion and Analysis

August 31, 2020

In total, governmental activities increased the District's net position by \$1,945,048. Key elements of this change are as follows:

	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	\$ 1,095,276	\$ 956,166
Operating grants/contributions	2,412,641	2,204,270
General revenues		
Property taxes	2,492,417	2,589,332
State aid - formula grants	6,133,626	4,651,503
Investment earnings	187,190	201,343
Miscellaneous	109,358	2,213,562
Total revenues	<u>12,430,508</u>	<u>12,816,176</u>
Expenses		
Instruction	5,383,294	4,504,412
Instructional resources and media services	94,528	98,612
Curriculum and staff development	8,719	6,365
Instructional leadership	249,015	211,999
School leadership	480,049	472,451
Guidance counseling and evaluation services	521,686	541,746
Social work services	41,090	28,436
Health services	41,865	27,635
Student (pupil) transportation	179,571	191,167
Food services	397,441	423,929
Extracurricular activities	413,693	392,972
General administration	421,968	388,615
Facilities maintenance and operations	1,128,571	953,938
Security and monitoring services	15,787	8,705
Data processing services	435,299	302,990
Interest on long-term debt	242,841	243,320
Bond issuance costs and fees	1,205	1,205
Payments related to shared services arrangements	341,010	456,299
Other intergovernmental charges	87,828	87,811
Total expenses	<u>10,485,460</u>	<u>9,342,607</u>
Change in net position	1,945,048	3,473,569
Net position, beginning	<u>9,131,116</u>	<u>5,657,547</u>
Net position, ending	<u>\$ 11,076,164</u>	<u>\$ 9,131,116</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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 government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$8,538,358, an increase of \$2,109,903 in comparison with the prior year. Approximately 57 percent of this total amount (\$4,842,459) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of fund balance is nonspendable, restricted, or assigned to indicate that it is not available for new spending because it has already been restricted to pay debt service (\$3,426,308). The District's committed fund balance consists of future construction and capital expenditures (\$250,000) and campus activity funds (\$19,591.) Assignments reflect the District's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds.

General Fund. 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 \$4,842,459, while total fund balance reached \$5,092,459. 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 fund expenditures. Unassigned fund balance represents 66 percent of total General Fund expenditures, while total fund balance represents 70 percent of that same amount.

The fund balance of the District's General Fund increased by \$1,779,263 during the current fiscal year. Key factors in this growth are as follows:

- Revenues totaled \$9,094,129 which is a 19 percent increase from previous year. State Foundation revenue increased \$1,482,123.
- Expenditures totaled \$7,305,257 which is a 22 percent decrease from previous year due to the prior year construction of the new elementary wing.

Debt Service Fund. The Debt Service Fund has a total fund balance of \$3,426,308, which is reserved for the payment of debt service. The net increase in fund balance was \$311,049.

SSA Special Education Fund. The SSA Special Education fund has no fund balance. Total revenues were \$777,824 an increase of \$120,686 from the previous year.

ESSER (Elementary and Secondary School Emergency Relief Fund.) The ESSER fund has no fund balance. Total revenues and expenditures were \$136,146.

Budgetary Highlights

The District adopts an annual appropriated budget for the General Fund, the National School Breakfast and Lunch Program, and the Debt Service Fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with statutory requirements.

General Fund. The most significant fund for the District is the General Fund, funded primarily through local property tax revenue. The District's budget amendments presented to the Board of Trustees throughout the year are summarized as follows:

- ***Variances of original expenditure budget compared to amended budget.***
 Amended budgeted expenditures increased in the General Fund \$340,000 from the original budget.
- ***Variances of amended budget to actual expenditures.***
 Expenditures were \$1,053,874 less than final budgeted amounts.
- ***Variances of original revenue budget compared to actual revenue***
 Local revenues were over budget by \$52,779 largely due to higher property tax collections.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the District had invested \$14.8 million in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase of \$86,000 or 0.60 percent over last year. Additional information on the District's capital assets can be found in Note 7 of this report.

	Governmental Activities	
	2020	2019
Land	\$ 647,938	\$ 647,938
Buildings and improvements	19,515,500	19,113,773
Furniture and equipment	2,179,415	1,862,102
	22,342,853	21,623,813
Total at historical cost	22,342,853	21,623,813
Less accumulated depreciation	(7,589,652)	(6,957,032)
	\$ 14,753,201	\$ 14,666,781
Net capital assets		

Long-Term Obligations

At the end of 2020, the District had \$5,950,000 in long-term liabilities which consists of general obligation bonds. The District's long-term liabilities decreased by \$8,190.

Additional information on the District's long-term obligations can be found in Note 8 of this report.

	Governmental Activities	
	2020	2019
General obligation bonds	\$ 5,950,000	\$ 5,950,000
Capital lease payable	-	8,190
	\$ 5,950,000	\$ 5,958,190

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The local economy continues to be strong. The 2020-21 appraised property values increased by 3.92%. Because of the actions of the 85th Legislative Session, the Maintenance and Operations (M & O) tax rate was reduced to \$1.0288 per \$100 valuation which was a \$0.0136 reduction from the previous year. However, with the increased property value, local tax collections are budgeted to increase \$44,238 over 2019-20. The Interest and Sinking (I & S) tax rate increased \$0.0569 to \$0.1695 per \$100 valuation to cover the current bond payment. The combined tax rate was increased by \$0.0433 per \$100 valuation.

The Districts 2020-21 budget was based on student enrollment decreasing by 25 RADA from the ending RADA of 2019-20 because of the unknown effects of the COVID-19 pandemic. Revenues were budgeted to decrease by \$568,513, with the largest decrease coming from the state. Total expenditures are budgeted to decline \$84,451. The largest decrease is in IT expenditures. Expenditures were made in 2019-20 to be able to teach virtually. With that infrastructure in place now, there should not be the need for the same level of IT expenditures. These changes in the budget resulted in the 2020-21 General Fund budget adding \$119,996 to fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Administration Office at 425 South Texas Street, De Leon, TX 76444.

De Leon Independent School District

Statement of Net Position (Exhibit A-1)

August 31, 2020

Data Control Codes		1 Governmental Activities
	Assets	
1110	Cash and cash equivalents	\$ 947,262
1120	Current investments	4,876,677
1220	Property taxes receivable (delinquent)	266,148
1230	Allowance for uncollectible taxes	(87,000)
1240	Due from other governments	233,412
1267	Due from fiduciary fund	1,070
1290	Other receivables	6,672
	Capital assets	
1510	Land	647,938
1520	Buildings and improvements, net	13,379,745
1530	Furniture and equipment, net	725,518
1800	Restricted assets	3,295,279
1000	Total assets	<u>24,292,721</u>
	Deferred outflows of resources	
1705	Deferred outflows - pension	1,114,947
1706	Deferred outflows - OPEB	407,939
1700	Total deferred outflows of resources	<u>1,522,886</u>
	Liabilities	
2110	Accounts payable	21,287
2140	Interest payable	25,131
2160	Accrued wages payable	275,114
2180	Due to other governments	318,143
2200	Accrued liabilities	18,359
2300	Unearned revenue	182,000
	Noncurrent liabilities	
2502	Due in more than one year	5,950,000
2540	Net pension liability	2,430,439
2545	Net OPEB liability	3,373,713
2000	Total liabilities	<u>12,594,186</u>
	Deferred inflows of resources	
2605	Deferred inflows - pension	542,023
2606	Deferred inflows - OPEB	1,603,234
2600	Total deferred inflows of resources	<u>2,145,257</u>
	Net position	
3200	Net investment in capital assets	8,803,201
3850	Restricted for debt service	3,427,959
3900	Unrestricted	(1,154,996)
3000	Total net position	<u>\$ 11,076,164</u>

Data Control Codes		Program Revenues		
		1	3	4
		Expenses	Charges for Services	Operating Grants and Contributions
	Governmental activities			
11	Instruction	\$ 5,383,294	\$ 635,407	\$ 1,144,765
12	Instructional resources and media services	94,528	-	8,669
13	Curriculum and instructional staff development	8,719	-	-
21	Instructional leadership	249,015	146,799	15,195
23	School leadership	480,049	-	43,699
31	Guidance, counseling, and evaluation services	521,686	67,753	234,962
32	Social work services	41,090	-	35,145
33	Health services	41,865	-	4,490
34	Student transportation	179,571	-	6,355
35	Food services	397,441	44,481	235,270
36	Extracurricular activities	413,693	77,078	15,436
41	General administration	421,968	-	16,950
51	Facilities maintenance and operations	1,128,571	11,292	71,668
52	Security and monitoring services	15,787	-	7,503
53	Data processing services	435,299	89,882	183,278
72	Debt service - interest on long-term debt	242,841	-	189,256
73	Bond issuance costs	1,205	-	-
93	Payments related to shared service arrangements	341,010	22,584	200,000
99	Other intergovernmental charges	87,828	-	-
TG	Total governmental activities	<u>10,485,460</u>	<u>1,095,276</u>	<u>2,412,641</u>
TP	Total primary government	<u>\$ 10,485,460</u>	<u>\$ 1,095,276</u>	<u>\$ 2,412,641</u>
	General revenues			
MT	Property taxes, levied for general purposes			
DT	Property taxes, levied for debt service			
SF	State aid - Formula grants			
IE	Investment earnings			
MI	Miscellaneous			
TR	Total general revenues			
CN	Change in net position			
NB	Net position, beginning			
NE	Net position, ending			

See Notes to Financial Statements

De Leon Independent School District
Statement of Activities (Exhibit B-1)
Year Ended August 31, 2020

Net (Expense) Revenue and Changes in Net Position	
6	8
Governmental Activities	Total
\$ (3,603,122)	\$ (3,603,122)
(85,859)	(85,859)
(8,719)	(8,719)
(87,021)	(87,021)
(436,350)	(436,350)
(218,971)	(218,971)
(5,945)	(5,945)
(37,375)	(37,375)
(173,216)	(173,216)
(117,690)	(117,690)
(321,179)	(321,179)
(405,018)	(405,018)
(1,045,611)	(1,045,611)
(8,284)	(8,284)
(162,139)	(162,139)
(53,585)	(53,585)
(1,205)	(1,205)
(118,426)	(118,426)
(87,828)	(87,828)
(6,977,543)	(6,977,543)
(6,977,543)	(6,977,543)
2,256,850	2,256,850
235,567	235,567
6,133,626	6,133,626
187,190	187,190
109,358	109,358
8,922,591	8,922,591
1,945,048	1,945,048
9,131,116	9,131,116
\$ 11,076,164	\$ 11,076,164

Data Control Codes		199 General Fund	266 ESSER
Assets			
1110	Cash and cash equivalents	\$ 713,258	\$ -
1120	Current investments	4,758,255	-
1220	Property taxes - delinquent	224,128	-
1230	Allowance for uncollectible taxes (credit)	(73,264)	-
1240	Due from other governments	-	136,146
1260	Due from other funds	243,826	-
1290	Other receivables	6,007	-
1800	Restricted assets	-	-
1000	Total assets	<u>5,872,210</u>	<u>136,146</u>
1000a	Total assets and deferred outflows	<u>\$ 5,872,210</u>	<u>\$ 136,146</u>
Liabilities			
2110	Accounts payable	\$ 18,645	\$ -
2150	Payroll deductions and withholdings payable	1,297	-
2160	Accrued wages payable	242,966	-
2170	Due to other funds	46,243	136,146
2180	Due to other governments	318,143	-
2200	Accrued expenditures	15,986	-
2300	Unearned revenue	-	-
2000	Total liabilities	<u>643,280</u>	<u>136,146</u>
Deferred inflows of resources			
2600	Unavailable revenue - property taxes	<u>136,471</u>	-
	Total deferred inflows of resources	<u>136,471</u>	-
Fund balance			
3480	Restricted - debt service	-	-
3510	Committed - construction	250,000	-
3545	Committed - other	-	-
3600	Unassigned	<u>4,842,459</u>	-
3000	Total fund balances	<u>5,092,459</u>	-
4000	Total liabilities, deferred inflows and fund balances	<u>\$ 5,872,210</u>	<u>\$ 136,146</u>

See Notes to Financial Statements

De Leon Independent School District
Balance Sheet – Governmental Funds (Exhibit C-1)
August 31, 2020

437 SSA Special Education	599 Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 121,907	\$ 69,014	\$ 33,353	\$ 937,532
53,951	64,471	-	4,876,677
-	42,020	-	266,148
-	(13,736)	-	(87,000)
-	1,838	95,428	233,412
-	-	-	243,826
-	665	-	6,672
-	3,295,279	-	3,295,279
<u>175,858</u>	<u>3,459,551</u>	<u>128,781</u>	<u>9,772,546</u>
<u>\$ 175,858</u>	<u>\$ 3,459,551</u>	<u>\$ 128,781</u>	<u>\$ 9,772,546</u>
\$ 319	\$ -	\$ 2,323	\$ 21,287
-	-	-	1,297
-	-	30,851	273,817
-	-	73,643	256,032
-	-	-	318,143
-	-	2,373	18,359
<u>175,539</u>	<u>6,461</u>	<u>-</u>	<u>182,000</u>
<u>175,858</u>	<u>6,461</u>	<u>109,190</u>	<u>1,070,935</u>
-	26,782	-	163,253
-	26,782	-	163,253
-	3,426,308	-	3,426,308
-	-	-	250,000
-	-	19,591	19,591
-	-	-	4,842,459
<u>-</u>	<u>3,426,308</u>	<u>19,591</u>	<u>8,538,358</u>
<u>\$ 175,858</u>	<u>\$ 3,459,551</u>	<u>\$ 128,781</u>	<u>\$ 9,772,546</u>

De Leon Independent School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit C-1R)
August 31, 2020

Total Fund Balances - Governmental Funds (Exhibit C-1)	\$ 8,538,358
1 Capital assets, net of accumulated depreciation, are not financial resources and therefore are not reported as assets in governmental funds.	14,753,201
2 The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The change in net position of internal service funds is reported with governmental activities. The net effect of this consolidation is to increase net position.	23,006
3 Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in governmental funds.	(5,950,000)
4 Accrued interest is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.	(25,131)
5 Certain assets are not available for current period expenditures and therefore are deferred in the funds. These are:	
Deferred resource inflow for property taxes	163,253
6 The government-wide statements include the District's proportionate share of the TRS net pension liabilities and TRS-Care net OPEB liabilities, as well as certain pension and OPEB related transactions accounted for as deferred inflows and outflows of resources:	
Net pension liability	(2,430,439)
Deferred outflows of resources - TRS pension	1,114,947
Deferred inflows of resources - TRS pension	(542,023)
Net OPEB liability	(3,373,713)
Deferred outflows of resources - TRS-Care OPEB	407,939
Deferred inflows of resources - TRS-Care OPEB	(1,603,234)
	<u>(6,426,523)</u>
19 Total net position - Governmental Activities (Exhibit A-1)	<u>\$ 11,076,164</u>

Data Control Codes		199	266
		General Fund	ESSER
	Revenues		
5700	Local and intermediate sources	\$ 2,459,684	\$ -
5800	State program revenues	6,496,010	-
5900	Federal program revenues	138,435	136,146
5020	Total revenues	<u>9,094,129</u>	<u>136,146</u>
	Expenditures		
	Current		
0011	Instruction	3,665,648	-
0012	Instructional resources and media services	89,868	-
0013	Curriculum and instructional staff development	4,437	-
0021	Instructional leadership	-	-
0023	School leadership	450,340	-
0031	Guidance, counseling and evaluation services	189,858	-
0032	Social work services	-	-
0033	Health services	39,893	-
0034	Student (pupil) transportation	315,794	-
0035	Food services	-	-
0036	Extracurricular activities	356,118	-
0041	General administration	376,662	-
0051	Facilities maintenance and operations	1,270,007	-
0052	Security and monitoring services	8,293	-
0053	Data processing services	328,242	136,146
	Debt service		
0071	Capital lease principal	8,190	-
0072	Interest on long term debt	157	-
0073	Bond issuance costs	-	-
	Intergovernmental		
0093	Payments to fiscal agent/member districts of SSA	113,922	-
0099	Other intergovernmental charges	87,828	-
6030	Total expenditures	<u>7,305,257</u>	<u>136,146</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>1,788,872</u>	<u>-</u>
	Other financing sources (uses)		
7915	Transfers in	-	-
7949	Proceeds from insurance	68,011	-
8911	Transfers out	(77,620)	-
7080	Total other financing sources (uses)	<u>(9,609)</u>	<u>-</u>
1200	Net changes in fund balances	1,779,263	-
0100	Fund balance, beginning	3,313,196	-
3000	Fund balance, ending	<u>\$ 5,092,459</u>	<u>\$ -</u>

See Notes to Financial Statements

De Leon Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds (Exhibit C-2)
Year Ended August 31, 2020

437 SSA Special Education	599 Debt Service Fund	Nonmajor Governmental Funds	98 Total Governmental Funds
\$ 577,459	\$ 365,682	\$ 91,569	\$ 3,494,394
38,387	89,222	137,057	6,760,676
161,978	100,034	1,285,047	1,821,640
<u>777,824</u>	<u>554,938</u>	<u>1,513,673</u>	<u>12,076,710</u>
426,560	-	678,740	4,770,948
-	-	-	89,868
-	-	4,287	8,724
239,267	-	-	239,267
-	-	-	450,340
75,917	-	207,949	473,724
-	-	35,145	35,145
-	-	-	39,893
-	-	-	315,794
-	-	350,471	350,471
-	-	27,497	383,615
-	-	-	376,662
8,992	-	25,000	1,303,999
-	-	7,503	15,796
-	-	35,110	499,498
-	-	-	8,190
-	242,684	-	242,841
-	1,205	-	1,205
27,088	-	200,000	341,010
-	-	-	87,828
<u>777,824</u>	<u>243,889</u>	<u>1,571,702</u>	<u>10,034,818</u>
-	311,049	(58,029)	2,041,892
-	-	77,620	77,620
-	-	-	68,011
-	-	-	(77,620)
-	-	77,620	68,011
-	311,049	19,591	2,109,903
-	3,115,259	-	6,428,455
<u>\$ -</u>	<u>\$ 3,426,308</u>	<u>\$ 19,591</u>	<u>\$ 8,538,358</u>

De Leon Independent School District

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities (Exhibit C-2R)
Year Ended August 31, 2020

Total Net Change in Fund Balances - Governmental Funds (Exhibit C-2)	\$	2,109,903
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2020 capital asset additions of \$719,040 and capital lease principal repayments of \$8,190 is to increase net position.		727,230
2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(632,620)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The change in net position of internal service funds is reported with governmental activities. The net effect of this consolidation is to increase net position.		5,042
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred tax revenue of \$163,253 as revenue and removing the prior year's tax collection of \$141,830.		21,423
Changes in the deferred outflows of resources, deferred inflows of resources and net pension liability must be recorded as expenses. Changes in contributions made after the measurement date caused the change in net position to increase in the amount of \$29,079. The District's share of the unrecognized deferred outflows and inflows for TRS as of the measurement date must be amortized and the District's proportionate share of the pension expense must be recognized. These cause the change in net position to decrease in the amount of \$297,398. The net effect is a decrease in net position.		(268,319)
Changes in the deferred outflows of resources, deferred inflows of resources and net OPEB liability must be recorded as expenses. Changes in contributions made after the measurement date caused the change in net position to increase in the amount of \$4,195. The District's share of the unrecognized deferred outflows and inflows for TRS as of the measurement date must be amortized and the District's proportionate share of the OPEB expense must be recognized. These cause the change in net position to decrease in the amount of \$21,806. The net effect is a decrease in net position.		(17,611)
Change in net position of governmental activities - Statement of Activities - (Exhibit B-1)	<u>\$</u>	<u>1,945,048</u>

De Leon Independent School District
Statement of Net Position – Proprietary Fund (Exhibit D-1)
August 31, 2020

<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Fund</u>
	Assets	
	Current assets	
1110	Cash and cash equivalents	\$ 9,730
1260	Due from other funds	<u>13,276</u>
1000	Total assets	<u>23,006</u>
	Net position	
3900	Unrestricted	<u>23,006</u>
3000	Total net position	<u><u>\$ 23,006</u></u>

De Leon Independent School District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund (Exhibit D-2)
Year Ended August 31, 2020

<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Fund</u>
	Operating revenues	
5700	Local and intermediate sources	\$ 8,210
	Total operating revenues	8,210
	Operating expenses	
6400	Other operating costs	3,168
6030	Total operating expenses	3,168
	Operating income	5,042
1300	Change in net position	5,042
0100	Net position, beginning	17,964
3300	Net position, ending	\$ 23,006

De Leon Independent School District
Statement of Cash Flows – Proprietary Fund (Exhibit D-3)
Year Ended August 31, 2020

	Governmental Activities
	Internal Service Fund
Operating activities	
Charges for services	\$ 8,210
Cash payments for claims and contracted services	(3,168)
Net cash from operating activities	5,042
Non-capital financing activities	
Cash payments to other funds	(16,357)
Net cash used for non-capital financing activities	(16,357)
Net change in cash and cash equivalents	(11,315)
Cash and cash equivalents at beginning of the year	21,045
Cash and cash equivalents at end of the year	\$ 9,730
Reconciliation of operating income to net cash from operating activities	
Operating income	\$ 5,042
Net cash from operating activities	\$ 5,042

De Leon Independent School District
Statement of Fiduciary Net Position – Fiduciary Fund (Exhibit E-1)
August 31, 2020

Data Control Codes		Agency Fund
	Assets	
1110	Cash and cash equivalents	\$ 20,688
1120	Current investments	72,079
		92,767
	Liabilities	
2170	Due to other funds	1,070
2180	Due to student groups	91,697
		92,767
	Total liabilities	\$ 92,767

Note 1 - Reporting Entity

The Board of Trustees, a seven-member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the De Leon Independent School District (the District). The Board of Trustees is elected by the public. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. The financial statements of the District include all activities for which the Board exercises these governance responsibilities.

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

Note 2 - Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as well as the proprietary and fiduciary fund financial statements. However, agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

The Proprietary Fund Types and Fiduciary Funds are accounted for using the *economic resources measurement focus and the accrual basis of accounting*. Revenues are recognized in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

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

The 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 general government, except those required to be accounted for in another fund.

Fund 266, COVID-19 Elementary and Secondary School Emergency Relief Funds, a governmental fund type, is a special revenue fund that accounts for revenue from a federal grant for specific grant purposes.

Fund 437, Shared Services Arrangement – Special Education is to be used by the fiscal agent of a Shared Service Arrangement to account, on a project basis, for funds for special education, other than regional day school for the deaf and State Supplemental Visually Impaired.

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

The government reports the following proprietary funds:

Internal Service Fund accounts for revenues and expenses related to services provided to parties inside the District. This fund facilitates distribution of support costs (such as workers compensation insurance) to the users of the support services.

Additionally, the government reports the following nonmajor fund types:

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the worker's compensation insurance internal service fund are District contributions. Operating expenses include claims expense and administrative expense for administering the insurance fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources, as they are needed.

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

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments in public funds investment pools are valued at amortized cost.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Use</u>
Buildings & improvements	10 - 40 years
Furniture & equipment	7 - 20 years

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities.

Deferred Outflows/Inflows of Resources

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

Pensions

The fiduciary net position of the TRS has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OPEB

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources relating to other-post employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. 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.

Use of Estimates

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

Note 5 - Stewardship, Compliance and Accountability**Budgetary Information**

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's Financial Accounting Resources module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

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

Note 6 - Fair Value Measurements

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

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

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

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

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

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

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

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

Note 7 - Detailed Notes on All Funds

Deposits and Investments

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

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

Custodial Credit Risk - Deposits

At August 31, 2020, the District's deposits were entirely covered by pledged collateral held by the District's agent bank in the District's name or by federal deposit insurance.

Investments

State statutes and Board policy authorize the District to invest in 1) obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009; 2) certificates of deposit and share certificates as permitted by Government Code 2256.010; 3) fully collateralized repurchase agreements permitted by Government Code 2256.011; 4) a securities lending program as permitted by Government Code 2256.0115; 5) banker's acceptance as permitted by Government Code 2256.012 6) commercial paper as permitted by Government Code 2256.013; 7) no-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014; 8) a guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015; and 9) public funds investment pools as permitted by Government Code 2256.016. Temporary investments are reported at cost, which approximates market, and are secured, when necessary, by the FDIC or obligations of items 1-4 above at 102% of the investment's market value.

The District's investments at August 31, 2020, are shown below:

Investment Pools	Amortized Cost	Rating	Weighted Average Maturity (Days)*
Lone Star	\$ 4,948,756	AAA	24
Total	\$ 4,948,756		

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

Investments are presented accordingly in the financial statements:

Exhibit C-1	\$ 4,876,677
Exhibit E-1	72,079
	\$ 4,948,756

Lone Star Investment Pool is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. Lone Star is administered by First Public LLC, who also serves as the investment advisor. Lone Star uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the reported value of the pool is the same as the fair value of the pool shares.

Property Tax

In the governmental fund financial statements, property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll (net of exemptions) upon which the levy for the August 31, 2020, fiscal year was based, was \$233,529,389.

Taxes are delinquent if not paid by January 31. Delinquent taxes are subject to penalty and interest charges plus delinquent collection fees for attorney costs

Current tax collections for the year ended August 31, 2020, were 96.8% of the year-end adjusted tax levy. Allowances for uncollectible taxes within the General Fund and Debt Service Fund are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2020, property taxes receivable, net of estimated uncollectible taxes, totaled \$150,864 and \$28,284 for the General and Debt Service Funds, respectively.

The tax rates assessed for the year ended August 31, 2020, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.0424 and \$0.1126 per \$100 valuation, respectively, for a total of \$1.155 per \$100 valuation.

Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2020, are summarized below.

Fund	State Grants/ Entitlements	Federal Grants	Total
Debt service fund	\$ 1,838	\$ -	\$ 1,838
ESSER	-	136,146	136,146
Nonmajor special revenue funds	35,785	59,643	95,428
	\$ 37,623	\$ 195,789	\$ 233,412

Interfund Receivables/Payables and Transfers

In the fund financial statements, interfund balances are the results of normal transactions between funds and will be liquidated in the subsequent fiscal year. Interfund receivables and payables were recorded to eliminate cash deficit balances and to record temporary interfund borrowing.

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

	Interfund Receivables	Interfund Payables
General fund	\$ 243,826	\$ 46,243
ESSER	-	136,146
Nonmajor special revenue funds	-	73,643
Internal service fund	13,276	-
Agency fund	-	1,070
	<u>\$ 257,102</u>	<u>\$ 257,102</u>
Totals	\$ 257,102	\$ 257,102
	Transfer in	Transfer out
Nonmajor special revenue funds	\$ 77,620	\$ -
General fund	-	77,620
	<u>\$ 77,620</u>	<u>\$ 77,620</u>

Capital Assets

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

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 647,938	\$ -	\$ -	\$ 647,938
Total capital assets, not being depreciated	<u>647,938</u>	<u>-</u>	<u>-</u>	<u>647,938</u>
Capital assets, being depreciated				
Buildings and improvements	19,113,773	401,727	-	19,515,500
Furniture and equipment	934,804	117,946	-	1,052,750
Vehicles	<u>927,298</u>	<u>199,367</u>	<u>-</u>	<u>1,126,665</u>
Total capital assets being depreciated	<u>20,975,875</u>	<u>719,040</u>	<u>-</u>	<u>21,694,915</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,603,510)	(532,245)	-	(6,135,755)
Furniture and equipment	(668,413)	(35,566)	-	(703,979)
Vehicles	<u>(685,109)</u>	<u>(64,809)</u>	<u>-</u>	<u>(749,918)</u>
Total accumulated depreciation	<u>(6,957,032)</u>	<u>(632,620)</u>	<u>-</u>	<u>(7,589,652)</u>
Total capital assets being depreciated, net	<u>14,018,843</u>	<u>86,420</u>	<u>-</u>	<u>14,105,263</u>
Governmental activities capital assets, net	<u>\$ 14,666,781</u>	<u>\$ 86,420</u>	<u>\$ -</u>	<u>\$ 14,753,201</u>

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

Instruction	\$ 282,049
Student (pupil) transportation	60,490
Food service	29,200
Extracurricular activities	27,752
Facilities maintenance and operations	221,019
Data processing services	<u>12,110</u>
Total depreciation expense - governmental activities	<u>\$ 632,620</u>

Note 8 - Long-Term Obligations

The long-term indebtedness of the District pertains to the Governmental Activities of the District. Expenditures for the debt service requirements of the bonds payable are accounted for in the Debt Service Fund.

A summary of changes in general long-term debt for the year ended August 31, 2020 is as follows:

	Interest Rate Payable	Amounts Originally Issued	Beginning Balance	Debt Issued	Principal Retired	Ending Balance	Due Within One Year
Unlimited Tax Qualified							
School Construction Bonds, Series 2009	2.10%	\$ 5,115,000	\$ 5,065,000	\$ -	\$ -	\$ 5,065,000	\$ -
Unlimited Tax School							
Building Bonds, Series 2010	4.10%	885,000	885,000	-	-	885,000	-
Total bonds payable			\$ 5,950,000	\$ -	\$ -	\$ 5,950,000	\$ -

Debt service requirements for the District's long-term debt are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2021	\$ -	\$ 142,650	\$ 142,650
2022	-	142,650	142,650
2023	-	142,650	142,650
2024	5,115,000	141,625	5,256,625
2025	395,000	26,138	421,138
2026-2027	440,000	10,455	450,455
	\$ 5,950,000	\$ 606,168	\$ 6,556,168

Presented below is a summary of the sinking fund requirements for the 2009 bonds:

Fiscal Year	Annual Requirements
2021	\$ 280,948
2022	280,948
2023	280,948
2024	280,948
	\$ 1,123,792

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	\$ 5,950,000	\$ -	\$ -	\$ 5,950,000	\$ -
Capital lease payable	8,190	-	(8,190)	-	-
Total long-term debt	\$ 5,958,190	\$ -	\$ (8,190)	\$ 5,950,000	\$ -

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of August 31, 2020.

Expenditures for the debt service requirements of the capital lease are accounted for in the General Fund.

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability for vacation leave has been accrued in the accompanying financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying financial statements.

Note 9 - Contingencies

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

The District participates in numerous state and federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2020, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

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

Note 10 - Defined Benefit Pension Plan**Plan Description**

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

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work-load and show 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 <https://www.trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698.

Benefits Provided

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

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

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

Contributions

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

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

	Contribution Rates	
	2019	2020
Member	7.70%	7.70%
Non-employer contributing entity (State)	6.80%	7.50%
Employers	6.80%	7.50%

The contribution amounts for the District are as follows:

	2019	2020
Member contributions	\$ 361,948	\$ 421,226
NECE on-behalf contributions	227,341	306,172
Employer contributions	162,810	191,889

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.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employed Contribution will replace the Non (OASDI) surcharge that was in effect in fiscal year 2019.

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

- When employing a retiree of the TRS the employer shall pay both the member contribution and 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. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

Actuarial Assumptions

The total pension liability in the August 31, 2018 actuarial valuation rolled forward to August 31, 2019 was determined using the following actuarial assumptions outlined below.

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual entry age normal
Asset Valuation Method	Market value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2019	2.63%
Inflation	2.30%
Salary increases including inflation	3.05% to 9.05%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full description of these assumptions, please see the actuarial valuation report dated November 9, 2018.

Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 session. It is assumed that future employer and State contributions will be 8.5% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and State contributions for active and rehired retirees.

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

The long-term expected rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019, are summarized below:

**Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return as of August 31, 2019**

Asset Class	Target Allocation ¹	New Target Allocation Return ²	Long-Term Expected Geometric Real Rate of Return ³
Global Equity			
U.S.	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	0.0%	0.0%
Private Equity	13.0%	14.0%	8.4%
Stable Value			
U.S. Treasuries ⁴	11.0%	16.0%	3.1%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Absolute Return (including Credit Sensitive Investments)	0.0%	0.0%	0.0%
Real Return			
Global Inflation Linked Bonds ⁴	3.0%	0.0%	0.0%
Real Estate	14.0%	15.0%	8.5%
Energy and Natural Resources and Infrastructure	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	8.0%	5.8%/6.5% ⁵
Asset Allocation Leverage			
Cash	1.0%	2.0%	2.5%
Asset Allocation Leverage	0.0%	-6.0%	2.7%
Totals	<u>100.0%</u>	<u>100.0%</u>	<u>7.2%</u>

¹ Target Allocation based on the Strategic Asset Allocation as of fiscal year 2019.

² New allocations are based on the Strategic Asset Allocation to be implemented in fiscal year 2020.

³ 10-year annualized geometric nominal returns include the real rate of return and inflation of 2.1%.

⁴ New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds.

⁵ 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Total TRS net pension liability	\$ 79,905,616,584	\$ 51,983,126,213	\$ 29,360,519,479
District's proportionate share of the net pension liability	\$ 3,735,907	\$ 2,430,439	\$ 1,372,722

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

At August 31, 2020, the District reported a liability of \$2,430,439 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	\$ 2,430,439
State's proportionate share that is associated with the District	3,369,464
Total	<u>\$ 5,799,903</u>

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

At August 31, 2019, the employer's proportion of the collective net pension liability was .004675439% which was a decrease of .00010414% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation

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

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13th check. All eligible members retired as of December 31, 2019 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

For the year ended August 31, 2020, the District recognized pension expense of \$529,295 and revenue of \$226,863 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 10,210	\$ 84,389
Changes in actuarial assumptions	754,042	311,606
Difference between projected and actual investment earnings	24,405	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	134,401	146,028
Contributions paid to TRS subsequent to the measurement date	191,889	-
Total	\$ 1,114,947	\$ 542,023

\$191,889 is reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended August 31, 2021.

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

Year Ended August 31,	Pension Expense Amount
2021	\$ 102,751
2022	73,235
2023	92,133
2024	103,907
2025	33,641
Thereafter	(24,632)
Total	\$ 381,035

Note 11 - Postemployment Health Benefits

Plan Description

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

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

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

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

TRS-Care Plan Retirement Rates
Effective January 1, 2019 through December 31, 2019

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

Contributions

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

Texas Insurance Code, section 1575.202 establishes the State's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .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 employee contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

The following table shows contributions to the TRS Care plan by type of contributor:

Contribution Rates		
	2019	2020
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%
	2019	2020
Employer contributions	\$ 50,479	\$ 54,674
Member contributions	30,554	35,557
NECE On-behalf contributions	58,873	77,158

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 hiring a TRS retiree, employers are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

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

Actuarial Assumptions

The total OPEB liability in the August 31, 2018 was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions:

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

The assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension plan actuarial valuation that was rolled forward to August 31, 2019 and are noted on the following page.

Additional Actuarial Methods and Assumptions

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.63%
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.
Projected Salary Increases	2.5% to 9.50%
Healthcare Trend Rates	4.50% to 7.4% The initial medical trend rates were 10.25% for Medicare retirees and 7.5% for non-Medicare retirees. There was an initial prescription drug trend rate of 10.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.5% over a period of 13 years.
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% participation after age 65; 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

The impact of the Cadillac Tax that is returning in fiscal year 2023, has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.30%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

Discount Rate

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

Discount Rate Sensitivity Analysis

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

	1% Decrease Discount in Rate (1.63%)	Discount Rate (2.63%)	1% Increase Discount in Rate (3.63%)
Total TRS net OPEB liability	\$ 57,095,682,852	\$ 47,291,224,890	\$ 39,621,188,484
District's proportionate share of the net OPEB liability	\$ 4,073,149	\$ 3,373,713	\$ 2,826,536

Healthcare Cost Trend Rate Sensitivity Analysis

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

	1% Decrease Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
Total TRS net OPEB liability	\$ 38,578,522,354	\$ 47,291,224,890	\$ 58,962,245,589
District's proportionate share of the net OPEB liability	\$ 2,752,153	\$ 3,373,713	\$ 4,206,308

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

At August 31, 2020, the District reported a liability of \$3,373,713 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$	3,373,713
State's proportionate share that is associated with the District		4,482,909
Total		\$ 7,856,622

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

At August 31, 2020, the District’s proportion of the collective Net OPEB Liability was 0.0071339% compared to 0.0072925% as of August 31, 2019.

Changes Since the Prior Actuarial Valuation

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

- The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the Total OPEB liability (TOL).
- The health care trend rates were reset to better reflect the plan’s anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the TOL.
- Change of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2020, the District recognized OPEB expense of \$118,151 and revenue of \$67,273 for support provided by the State

De Leon Independent School District

Notes to Financial Statements

August 31, 2020

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 165,509	\$ 552,072
Changes in actuarial assumptions	187,383	907,446
Difference between projected and actual investment earnings	364	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	9	143,716
Contributions paid to TRS subsequent to the measurement date	54,674	-
Total	\$ 407,939	\$ 1,603,234

\$54,674 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ended August 31, 2021.

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

Year Ended August 31,	OPEB Expense Amount
2021	\$ (205,018)
2022	(205,018)
2023	(205,135)
2024	(205,206)
2025	(205,187)
Thereafter	(224,405)
Total	\$ (1,249,969)

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments have been recognized as equal revenues and expenditures by the District in the amount of \$23,126, \$18,395, and \$14,623 for the years ended August 31, 2020, 2019 and 2018, respectively.

Note 12 - Revenues from Local and Intermediate Sources

For the year ended August 31, 2020, revenues from local and intermediate sources for governmental fund types consisted of the following:

	General Fund	Debt Service Fund	SSA Special Education	Nonmajor Governmental Funds	Total
Property taxes	\$ 2,230,564	\$ 240,430	\$ -	\$ -	\$ 2,470,994
Food service sales	-	-	-	44,481	44,481
Investment income	63,432	121,221	2,537	-	187,190
Penalties, interest, and other tax related income	37,316	4,031	-	-	41,347
Co-curricular student activities	26,803	-	-	-	26,803
Revenue from member districts	-	-	564,610	-	564,610
Gifts and bequests	6,500	-	-	-	6,500
Other	95,069	-	10,312	47,088	152,469
Total	\$ 2,459,684	\$ 365,682	\$ 577,459	\$ 91,569	\$ 3,494,394

Note 13 - Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2020, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Unemployment Compensation – Self Funded

During the year ended August 31, 2020, the District met its statutory unemployment compensation obligations by participating as a self-funded member of the TASB Risk Management Fund (the Fund.) The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

As a self-funded member of the TASB Risk Management Fund, the District is solely responsible for all claim costs, both reported and unreported.

The Fund provides administrative services to its self-funded members including claims administration and customer service.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2020, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Note 14 - Fund Balance

The District classifies governmental fund balance in accordance with Government Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions:

Nonspendable fund balance includes fund balance that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The District had restricted fund balance of \$3,426,308 for future debt service requirements.

Committed fund balance is established and modified by a resolution from the District's Board, the District's highest level of decision-making authority and can be used only for the specific purposes determined the Board's resolution. At August 31, 2020, the District had \$250,000 committed for future capital projects and \$19,591 committed for campus activity funds.

Assigned fund balance is intended to be used by the District for specific purposes but does not meet the criteria to be classified as restricted or committed. The Board has delegated the authority to assign fund balance to the Superintendent. The District had no assigned fund balance at August 31, 2020.

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

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. The District would use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

Note 15 - Workers' Compensation Coverage

The District participates in a modified self-funded workers' compensation insurance pool with other districts which are located in the state of Texas. The District's contributions to the pool are based on the loss experience of the District and other districts in the pool. Claims Administrative Services, Inc. (CAS) is the third-party administrator of the pool. The District's fixed cost is \$7,363 and maximum aggregate loss is \$19,606. The District has accrued \$11,166 at August 31, 2020 for workers' compensation claims payable. The following is a reconciliation of workers' compensation claims during the previous two years:

	2020	2019
Claims payable beginning of year	\$ 24,442	\$ 13,197
Claims incurred	3,163	18,056
Claims paid	(16,439)	(6,811)
Claims payable end of year	\$ 11,166	\$ 24,442

Note 16 - Shared Services Arrangement

The District is the fiscal agent for a Shared Services Arrangement (SSA) which provides services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

Member Districts	Expenditures
De Leon ISD	\$ 169,837
Comanche ISD	335,015
Cross Plains ISD	88,406
Gustine ISD	48,076
Rising Star ISD	24,042
Sidney ISD	49,632
May ISD	62,816
Total	\$ 777,824

Note 17 - General Fund Federal Source Revenues

	<u>CFDA</u>	<u>Amount</u>
School of Health and Related Services	N/A	<u>\$ 138,435</u>
Total		<u><u>\$ 138,435</u></u>



Required Supplementary Information
August 31, 2020

De Leon Independent School District

De Leon Independent School District
 Budgetary Comparison Schedule – General Fund (Exhibit G-1)
 Year Ended August 31, 2020

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP) Basis	Variance With Final Budget Positive or (Negative)
		Original	Final		
	Revenues				
5700	Local and intermediate sources	\$ 2,456,905	\$ 2,406,905	\$ 2,459,684	\$ 52,779
5800	State program revenues	5,838,519	6,480,496	6,496,010	15,514
5900	Federal program revenues	30,000	138,000	138,435	435
5020	Total revenues	<u>8,325,424</u>	<u>9,025,401</u>	<u>9,094,129</u>	<u>68,728</u>
	Expenditures				
	Current				
0011	Instruction	3,720,171	3,720,171	3,665,648	54,523
0012	Instructional resources and media services	87,955	97,955	89,868	8,087
0013	Curriculum and instructional staff development	8,750	13,750	4,437	9,313
0023	School leadership	451,649	456,649	450,340	6,309
0031	Guidance, counseling and evaluation services	169,579	194,579	189,858	4,721
0033	Health services	36,591	46,591	39,893	6,698
0034	Student (pupil) transportation	329,137	369,137	315,794	53,343
0036	Extracurricular activities	345,751	360,751	356,118	4,633
0041	General administration	399,745	399,745	376,662	23,083
0051	Facilities maintenance and operations	1,465,641	1,465,641	1,270,007	195,634
0052	Security and monitoring services	21,404	26,404	8,293	18,111
0053	Data processing services	248,395	458,395	328,242	130,153
	Debt service				
0071	Capital lease principal	11,200	11,043	8,190	2,853
0072	Interest on long term debt	-	157	157	-
0081	Facilities acquisition & construction	500,000	500,000	-	500,000
	Intergovernmental				
0093	Payments to fiscal agent/member districts of SSA	128,163	143,163	113,922	29,241
0099	Other intergovernmental charges	95,000	95,000	87,828	7,172
6030	Total expenditures	<u>8,019,131</u>	<u>8,359,131</u>	<u>7,305,257</u>	<u>1,053,874</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>306,293</u>	<u>666,270</u>	<u>1,788,872</u>	<u>1,122,602</u>
	Other financing sources (uses)				
7949	Proceeds from insurance	-	68,000	68,011	11
8911	Transfers out	(55,726)	(85,726)	(77,620)	8,106
	Total other financing sources (uses)	(55,726)	(17,726)	(9,609)	8,117
1200	Net change in fund balances	250,567	648,544	1,779,263	1,130,719
0100	Fund balances, beginning	3,313,196	3,313,196	3,313,196	-
3000	Fund balances, ending	<u>\$ 3,563,763</u>	<u>\$ 3,961,740</u>	<u>\$ 5,092,459</u>	<u>\$ 1,130,719</u>

De Leon Independent School District
Schedule of District's Proportionate Share of the Net Pension Liability (Exhibit G-2)
August 31, 2020

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0046754390%	0.0047795812%	0.0047818458%	0.0051242061%	0.005687800%	0.003861900%
District's proportionate share of net pension liability	\$ 2,430,439	\$ 2,630,797	\$ 1,528,977	\$ 1,936,361	\$ 2,010,562	\$ 1,031,567
State's proportionate share of the net pension liability associated with the District	3,369,464	3,837,112	2,327,281	2,575,676	2,532,928	2,122,871
	<u>\$ 5,799,903</u>	<u>\$ 6,467,909</u>	<u>\$ 3,856,258</u>	<u>\$ 4,512,037</u>	<u>\$ 4,543,490</u>	<u>\$ 3,154,438</u>
District's covered payroll	\$ 4,700,621	\$ 4,841,414	\$ 4,496,648	\$ 4,456,773	\$ 4,497,836	\$ 4,172,042
District's proportionate share of net pension liability as a percentage of its covered payroll	51.70%	54.34%	34.00%	43.45%	44.70%	24.73%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

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

Note: Plan information was unavailable prior to 2015.

De Leon Independent School District
Schedule of District's Contributions to the Pension Plan (Exhibit G-3)
August 31, 2020

	<u>8/31/2020</u>	<u>8/31/2019</u>	<u>8/31/2018</u>	<u>8/31/2017</u>	<u>8/31/2016</u>	<u>8/31/2015</u>
Contractually required contribution	\$ 191,889	\$ 162,810	\$ 161,012	\$ 148,871	\$ 162,809	\$ 155,969
Contribution in relation to the contractually required contribution	<u>(191,889)</u>	<u>(162,810)</u>	<u>(161,012)</u>	<u>(148,871)</u>	<u>(162,809)</u>	<u>(155,969)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,470,903	\$ 4,700,621	\$ 4,841,414	\$ 4,496,648	\$ 4,456,773	\$ 4,497,836
Contributions as a percentage of covered payroll	3.51%	3.46%	3.33%	3.31%	3.65%	3.47%

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

Note: Plan information was unavailable prior to 2015.

De Leon Independent School District
Schedule of District's Proportionate Share of the Net OPEB Liability (Exhibit G-4)
August 31, 2020

	2020	2019	2018
District's proportion of the net OPEB liability	0.0071339081%	0.0072925251%	0.0074087165%
District's proportionate share of net OPEB liability	\$ 3,373,713	\$ 3,641,225	\$ 3,221,773
State's proportionate share of the net OPEB liability associated with the District	4,482,909	3,727,537	3,555,992
	<u>\$ 7,856,622</u>	<u>\$ 7,368,762</u>	<u>\$ 6,777,765</u>
District's covered employee payroll	\$ 4,700,621	\$ 4,841,414	\$ 4,496,648
District's proportionate share of net OPEB liability as a percentage of its covered employee payroll	71.77%	75.21%	71.65%
Plan fiduciary net position as a percentage of the total OPEB liability	2.66%	1.57%	0.91%

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

Note 2: Plan information was unavailable prior to 2018.

De Leon Independent School District
Schedule of District's Contributions to the OPEB Plan (Exhibit G-5)
August 31, 2020

	2020	2019	2018
Contractually required contribution	\$ 54,674	\$ 50,479	\$ 45,062
Contribution in relation to the contractually required contribution	(54,674)	(50,479)	(45,062)
Contribution deficiency	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 5,470,903	\$ 4,700,621	\$ 4,841,414
Contributions as a percentage of covered employee payroll	1.00%	1.07%	0.93%

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

Note 2: Plan information was unavailable prior to 2018.

Note 1 - Budget

Budgetary Information

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

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

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

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.

Note 2 - Pension

Changes of Benefit Terms

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

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

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

Changes of Assumptions

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has been changed to the long-term rate of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

Note 3 - OPEB

Changes of Benefit Terms

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

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

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

Changes of Assumptions

- The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the Total OPEB Liability (TOL).
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased TOL.



Other Supplementary Information
August 31, 2020

De Leon Independent School District

Data Control Codes		205 Head Start	206 McKinney-Vento Homeless ESSA Title IX Part A	211 ESEA Title I Part A
	Assets			
1110	Cash and cash equivalents	\$ -	\$ -	\$ -
1240	Receivables from other governments	23,996	787	12,696
1000	Total assets	\$ 23,996	\$ 787	\$ 12,696
	Liabilities			
2110	Accounts payable	\$ -	\$ -	\$ -
2160	Accrued wages payable	5,517	-	11,558
2170	Due to other funds	17,878	787	-
2200	Accrued expenditures	601	-	1,138
2000	Total liabilities	23,996	787	12,696
	Fund balances			
3545	Committed - other	-	-	-
3000	Total fund balances	-	-	-
4000	Total liabilities and and fund balances	\$ 23,996	\$ 787	\$ 12,696

De Leon Independent School District
 Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)
 August 31, 2020

224 IDEA Part B Formula	240 National School Lunch & Breakfast	244 Title I Part C Carl Perkins	255 Title II, Part A Teacher and Principal Training	270 ESEA VI Part B Rural & Low Income
\$ 3,271	\$ 10,135	\$ -	\$ -	\$ -
-	201	-	11,076	-
<u>\$ 3,271</u>	<u>\$ 10,336</u>	<u>\$ -</u>	<u>\$ 11,076</u>	<u>\$ -</u>
\$ -	\$ 326	\$ -	\$ -	\$ -
2,953	9,804	-	1,019	-
-	-	-	9,947	-
318	206	-	110	-
<u>3,271</u>	<u>10,336</u>	<u>-</u>	<u>11,076</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 3,271</u>	<u>\$ 10,336</u>	<u>\$ -</u>	<u>\$ 11,076</u>	<u>\$ -</u>

Data Control Codes		276 ESEA Title I, Section 1003(g) School Improvement	289 Title IV Part A	313 SSA IDEA Part B Formula
	Assets			
1110	Cash and cash equivalents	\$ -	\$ -	\$ 356
1240	Receivables from other governments	-	9,246	1,641
1000	Total assets	\$ -	\$ 9,246	\$ 1,997
	Liabilities			
2110	Accounts payable	\$ -	\$ -	\$ 1,997
2160	Accrued wages payable	-	-	-
2170	Due to other funds	-	9,246	-
2200	Accrued expenditures	-	-	-
2000	Total liabilities	-	9,246	1,997
	Fund balances			
3545	Committed - other	-	-	-
3000	Total fund balances	-	-	-
4000	Total liabilities and and fund balances	\$ -	\$ 9,246	\$ 1,997

De Leon Independent School District
 Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)
 August 31, 2020

314 SSA IDEA Part B Preschool	410 State Textbook Fund	429 Other State Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 19,591	\$ 33,353
-	35,785	-	-	95,428
<u>\$ -</u>	<u>\$ 35,785</u>	<u>\$ -</u>	<u>\$ 19,591</u>	<u>\$ 128,781</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,323
-	-	-	-	30,851
-	35,785	-	-	73,643
-	-	-	-	2,373
-	35,785	-	-	109,190
-	-	-	19,591	19,591
-	-	-	19,591	19,591
<u>\$ -</u>	<u>\$ 35,785</u>	<u>\$ -</u>	<u>\$ 19,591</u>	<u>\$ 128,781</u>

Data Control Codes	205 Head Start	206 McKinney-Vento Homeless ESSA Title IX Part A	211 ESEA Title I Part A
Revenues			
5700	\$ -	\$ -	\$ -
5800	-	-	-
5900	121,608	787	178,217
5020	121,608	787	178,217
Expenditures			
Current			
0011	86,463	787	178,217
0013	-	-	-
0031	-	-	-
0032	35,145	-	-
0035	-	-	-
0036	-	-	-
0051	-	-	-
0052	-	-	-
0053	-	-	-
Intergovernmental			
0093	-	-	-
6030	121,608	787	178,217
1100	-	-	-
Other financing sources (uses)			
7915	-	-	-
7080	-	-	-
1200	-	-	-
0100	-	-	-
3000	\$ -	\$ -	\$ -

De Leon Independent School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds (Exhibit H-2)
Year Ended August 31, 2020

224 IDEA Part B Formula	240 National School Lunch & Breakfast	244 Title I, Part C Carl Perkins	255 Title II, Part A Teacher and Principal Training	270 ESEA VI Pt B Rural & Low Income
\$ -	\$ 44,481	\$ -	\$ -	\$ -
-	12,363	-	-	-
43,669	216,007	4,100	17,261	9,188
43,669	272,851	4,100	17,261	9,188
43,669	-	4,100	12,974	9,188
-	-	-	4,287	-
-	-	-	-	-
-	350,471	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
43,669	350,471	4,100	17,261	9,188
-	(77,620)	-	-	-
-	77,620	-	-	-
-	77,620	-	-	-
-	-	-	-	-
-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -

Data Control Codes		276 ESEA Title I, Section 1003(g) School Improvement	289 Title IV Part A	313 SSA IDEA Part B Formula
	Revenues			
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	10,500	9,246	650,196
5020	Total revenues	<u>10,500</u>	<u>9,246</u>	<u>650,196</u>
	Expenditures			
	Current			
0011	Instruction	10,500	1,743	207,137
0013	Curriculum and instructional staff development	-	-	-
0031	Guidance, counseling and education	-	-	207,949
0032	Social work services	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0051	Facilities maintenance and operations	-	-	-
0052	Security and monitoring services	-	7,503	-
0053	Data processing services	-	-	35,110
	Intergovernmental			
0093	Payments to fiscal agent/member districts of SSA	-	-	200,000
6030	Total expenditures	<u>10,500</u>	<u>9,246</u>	<u>650,196</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
	Other financing sources (uses)			
7915	Transfers in	-	-	-
7080	Total other financing sources (uses)	<u>-</u>	<u>-</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>\$ -</u></u>	<u><u>\$ -</u></u>

De Leon Independent School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental
Funds (Exhibit H-2) continued
Year Ended August 31, 2020

314 SSA IDEA Part B Preschool	410 State Textbook Fund	429 Other State Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 47,088	\$ 91,569
-	47,944	76,750	-	137,057
24,268	-	-	-	1,285,047
24,268	47,944	76,750	47,088	1,513,673
24,268	47,944	51,750	-	678,740
-	-	-	-	4,287
-	-	-	-	207,949
-	-	-	-	35,145
-	-	-	-	350,471
-	-	-	27,497	27,497
-	-	25,000	-	25,000
-	-	-	-	7,503
-	-	-	-	35,110
-	-	-	-	200,000
24,268	47,944	76,750	27,497	1,571,702
-	-	-	19,591	(58,029)
-	-	-	-	77,620
-	-	-	-	77,620
-	-	-	19,591	19,591
-	-	-	-	-
\$ -	\$ -	\$ -	\$ 19,591	\$ 19,591



Required TEA Schedules
August 31, 2020

De Leon Independent School District

Year Ended August 31,	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	1 Maintenance	2 Debt Service	
2011 (and prior years)	\$ Various	\$ Various	\$ Various
2012	1.040000	0.202000	164,878,057
2013	1.040000	0.205000	171,920,654
2014	1.040000	0.205000	178,107,675
2015	1.040000	0.205000	184,645,226
2016	1.040000	0.205000	178,417,486
2017	1.170000	0.075000	200,828,899
2018	1.170000	0.075000	193,175,181
2019	1.130000	0.105000	207,803,077
2020 (school year under audit)	1.042400	0.112600	233,529,389

1000 TOTALS

De Leon Independent School District
Schedule of Delinquent Taxes Receivable (Exhibit J-1)
Year Ended August 31, 2020

10 Beginning Balance 9/1/2019	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2020
\$ 55,423	\$ -	1,115	\$ 124	\$ (4,199)	\$ 49,985
8,515	-	277	31	11,188	10,880
10,812	-	216	24	2,297	10,572
11,222	-	370	41	410	10,811
16,974	-	1,542	171	5,753	15,262
18,041	-	2,174	242	1,223	15,781
19,052	-	3,011	335	1,179	15,874
27,009	-	6,633	737	7,675	19,357
71,361	-	23,581	2,620	35,920	36,728
-	2,507,478	2,183,922	242,658	(71,361)	80,898
\$ 238,409	\$ 2,507,478	\$ 2,222,841	\$ 246,983	\$ (9,915)	\$ 266,148

De Leon Independent School District
 Budgetary Comparison Schedule – Child Nutrition Fund (Exhibit J-2)
 Year Ended August 31, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
5700	Local and intermediate sources	\$ 61,000	\$ 46,000	\$ 44,481	\$ (1,519)
5800	State program revenues	12,436	12,436	12,363	(73)
5900	Federal program revenues	250,000	215,000	216,007	1,007
5020	Total revenues	323,436	273,436	272,851	(585)
Expenditures					
Current					
0035	Food services	379,162	359,162	350,471	8,691
6030	Total expenditures	379,162	359,162	350,471	8,691
1100	Excess (deficiency) of revenues over (under) expenditures	(55,726)	(85,726)	(77,620)	8,106
Other financing sources (uses)					
7915	Transfers in	55,726	85,726	77,620	(8,106)
7080	Total other financing sources (uses)	55,726	85,726	77,620	(8,106)
1200	Net change in fund balances	-	-	-	-
0100	Fund balances, beginning	-	-	-	-
3000	Fund balances, ending	\$ -	\$ -	\$ -	\$ -

De Leon Independent School District
 Budgetary Comparison Schedule – Debt Service Fund (Exhibit J-3)
 Year Ended August 31, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
5700	Local and intermediate sources	\$ 247,031	\$ 247,031	\$ 365,682	\$ 118,651
5800	State program revenues	60,538	60,538	89,222	28,684
5900	Federal program revenues	100,034	100,034	100,034	-
5020	Total revenues	407,603	407,603	554,938	147,335
Expenditures					
Debt service					
0072	Interest on long term debt	519,632	519,632	242,684	276,948
0073	Bond issuance costs and fees	1,500	1,500	1,205	295
6030	Total expenditures	521,132	521,132	243,889	277,243
1100	Excess (deficiency) of revenues over (under) expenditures	(113,529)	(113,529)	311,049	197,520
1200	Net change in fund balances	(113,529)	(113,529)	311,049	197,520
0100	Fund balances, beginning	3,115,259	3,115,259	3,115,259	-
3000	Fund balances, ending	\$ 3,001,730	\$ 3,001,730	\$ 3,426,308	\$ 424,578



Federal Awards Section
August 31, 2020

De Leon Independent School District



**Independent Auditor’s Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards***

The Board of School Trustees
De Leon Independent School District
De Leon, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the De Leon Independent School District (the District), as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated January 13, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a significant deficiency.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

De Leon Independent School District's Response to the Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned to the left of the date and location information.

Abilene, Texas
January 13, 2021



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

The Board of School Trustees
De Leon Independent School District
De Leon, Texas

Report on Compliance for the Major Federal Program

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

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the District’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (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 the major federal program. However, our audit does not provide a legal determination of the District’s compliance.

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

Management of the 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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



Abilene, Texas
January 13, 2021

De Leon Independent School District
Schedule of Expenditures of Federal Awards (Exhibit K-1)
Year Ended August 31, 2020

(1) Federal Grantor/Pass Through Grantor/ Program or Cluster Title	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. Department of Education			
Passed - through Texas Education Agency			
ESEA, Title VI, Part B - Rural and Low Income Program	84.358	2069601047902	\$ 9,188
ESEA Title I, Part A - Improving Basic Programs COVID-19 Elementary and Secondary School Emergency Relief Fund	84.010	20610101047902	178,217
ESEA Title I, Section 1003(g) - School Improvement	84.425	20521001047902	136,146
SSA - IDEA - Part B, Formula	84.377	20696001047902	10,500
SSA - IDEA B Preschool	84.027	206600010479026000	693,865
Total Special Education Cluster	84.173	206610010479026000	<u>24,268</u>
			1,052,184
			<u>1,052,184</u>
Passed through ESC Region 14:			
ESSA Title IX, Part A - McKinney-Vento Homeless	84.196	204600057110028	787
ESEA Title I, Part C - Carl Perkins	84.048	20420006221950	4,100
ESEA Title II, Part A - Teacher and Principal Training*	84.367	19694501221950	16,132
ESEA Title II, Part A - Teacher and Principal Training*	84.367	20694501221950	1,129
Title IV, Part A Student Support and Academic Enrichment	84.424A	20680101221950	9,246
Total Passed Through ESC Region 14			31,394
Total Department of Education			<u>1,083,578</u>
U.S. Department of Health & Human Services			
Passed through ESC Region 14:			
Head Start	93.600	06CH7152/06	97,612
Head Start	93.600	06CH0114	23,996
Total Passed Through ESC Region 14			<u>121,608</u>
Total Department of Health & Human Services			<u>121,608</u>

De Leon Independent School District
Schedule of Expenditures of Federal Awards (Exhibit K-1)
Year Ended August 31, 2020

(1) Federal Grantor/Pass Through Grantor/ Program or Cluster Title	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. Department of Agriculture			
Passed through Texas Education Agency			
Child Nutrition Cluster			
School Breakfast Program	10.553	71402001	34,651
National School Lunch Program - cash assistance**	10.555	71302001	158,099
Total Passed Through Texas Education Agency			192,750
Passed through the Texas Department of Agriculture			
National School Lunch Program - noncash assistance**	10.555	N/A	23,257
Total passed through			
Texas Department of Agriculture			23,257
Total Child Nutrition Cluster			216,007
Total Department of Agriculture			216,007
Total Expenditures of Federal Awards			\$ 1,421,193
*Total ESEA Title II, Part A - Teacher and Principal Training (CFDA 84.367)			\$ 17,261
**Total National School Lunch Program (CFDA 10.555)			181,356

Note 1- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended August 31, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Note 2 - Summary of Significant Accounting Policies

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

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

School health and related services revenues are considered earned income at the local government level and thus are not included in the Schedule of Expenditures of Federal Awards. The following is a reconciliation of Federal Revenues on Exhibit C-2 to the Schedule of Expenditures of Federal Awards:

Federal Awards per Schedule of Expenditures of Federal Awards	\$	1,421,193
Medical reimbursements (SHARS)		300,413
Qualified School Construction Bond interest subsidy		<u>100,034</u>
 Total Federal Program Revenues - Exhibit C-2	 \$	 <u><u>1,821,640</u></u>

Note 3 - Indirect Cost Rate

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

Note 4 - Food Donation

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

Section I - Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? No

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

Type of auditor's report issued on compliance for the major program Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516: No

Identification of major programs:

Name of Federal Program	CFDA Number
IDEA-B Formula	84.027
IDEA-B Preschool	84.173
Dollar threshold used to distinguish between type A and type B federal programs	\$750,000
Auditee qualified as a low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2020-001:	Financial Reporting
Type of Finding:	Significant Deficiency
Criteria or Specific Requirement:	Management of the District is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP). This includes the design, implementation, and maintenance of internal controls relevant to the fair presentation of the financial statements that are free from material misstatement in a timely manner.
Statement of Condition:	We proposed an audit adjustment to the District’s recorded balances, which if not detected by our auditing procedures, could have resulted in a misstatement of the District’s financial statements. As a result, the current year financial statements are not timely for governance decisions.
Cause:	The District failed to record an entry to adjust revenue and expenditure in Fund 313.
Effect:	The need for the audit adjustment indicates the interim financial statements may not be correct, which may affect management governance made during the course of the year.
Recommendation:	Auditing standards require that auditors communicate this deficiency; however, the District prepares budgetary and other financial reports for Board review on a routine basis. It is the responsibility of management and those charged with governance to determine whether to accept the risk associated with this condition because of cost or other considerations.
View of Responsible Officials:	Management agrees with the finding. Refer to the Corrective Action Plan.

Section III – Federal Award Findings and Questioned Costs

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

De Leon Independent School District
 Schedule of Required Responses to Selected School First Indicators (Exhibit L-1)
 As Of August 31, 2020

<u>Data Control Codes</u>		<u>Responses</u>
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ -



De Leon Independent School District

Dana Marable ♦ Superintendent

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Board of Trustees

President ♦ Josh Mahan
Vice President ♦ Craig Mahan
Secretary ♦ Nelda Priddy
Member ♦ A.J. Hill
Member ♦ Carrie Morris
Member ♦ Frank Harris
Member ♦ Brandon Burrow

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
August 31, 2020

Prepared by Management of
De Leon Independent School District

Preparation of Financial Statements and Significant Audit Adjustment in Financial Statements

Finding 2019-001

Initial Fiscal Year Finding Occurred: 2019

Finding Summary: Eide Bailly, LLP (EB) proposed an audit adjustment that could have resulted in a misstatement of our financial statements.

Status: The District has implemented a procedure to review and approve journal entries. Also see Finding 2020-001.

De Leon Independent School District – Corrective Action Plan

Significant Audit Adjustment in Financial Statements

Finding 2020-001

Finding Summary: Eide Bailly, LLP proposed an audit adjustment that could have resulted in a material misstatement of our financial statements.

Responsible Individuals: Dr. Dana Marable, Superintendent

Corrective Action Plan: The District is working to implement a procedure to remedy the cause of the audit adjustment.

Anticipated Completion Date: On-going