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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, 2021, at a meeting of the Board of Trustees of such school district on the 17<sup>th</sup> day of January, 2022.

\_\_\_\_\_  
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

To 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, 2021, 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Notes 4 and 18 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position of custodial funds as of September 1, 2020. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension plan schedules and OPEB plan schedules on pages 5 through 15 and 63 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 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), 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 7, 2022, 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, 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 7, 2022

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, 2021. 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 \$13,195,488.
- During the year, the District's expenses were \$2,119,324 less than the \$12,937,298 generated in property taxes, grants and other revenues for governmental activities.
- The governmental funds financial statements reported combined ending fund balance of \$10,477,012 for the year ending August 31, 2021, an increase of \$1,938,654 in comparison with the prior year. This balance consists of \$6,328,320 in the General Fund which is unassigned and available for spending at the District's discretion. Restricted fund balance for grants and debt service totals \$2,540 and \$3,867,667, respectively and is included in the Child Nutrition Fund (a nonmajor fund) and the Debt Service Fund, respectively. Committed fund balance for future construction of \$250,000 is held in the General Fund. Committed fund balance of \$24,999 is held in campus activity funds. Assigned fund balance of \$3,486 for Student Health Advisory Council (SHAC) is held in the General Fund.
- The General Fund had \$9,402,275 in revenues, which primarily consisted of state aid and property taxes and \$7,912,928 in expenditures, which resulted in an increase in fund balance by \$1,489,347 for the year ended August 31, 2021.

## 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:

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.

**Proprietary funds**—The District reports the activities for which it charges users (other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service fund reports activities that provide insurance programs for the District's other programs and activities.

**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.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The District's combined net position increased \$2.1 million from the previous year as can be seen on the following table.

	Governmental Activities	
	2021	2020
Assets		
Current and other assets	\$ 11,439,012	\$ 9,539,520
Capital assets	14,967,724	14,753,201
Total assets	<u>26,406,736</u>	<u>24,292,721</u>
Deferred outflows of resources	<u>1,411,287</u>	<u>1,522,886</u>
Liabilities		
Current liabilities	783,268	840,034
Noncurrent liabilities	11,237,029	11,754,152
Total liabilities	<u>12,020,297</u>	<u>12,594,186</u>
Deferred inflows of resources	<u>2,602,238</u>	<u>2,145,257</u>
Net position		
Net investment in capital assets	9,017,724	8,803,201
Restricted for federal and state programs	2,540	-
Restricted for debt service	3,870,677	3,427,959
Unrestricted	304,547	(1,154,996)
Total net position	<u>\$ 13,195,488</u>	<u>\$ 11,076,164</u>

The District's capital assets, which consist of the District's land, buildings, building improvements, vehicles, and equipment, represent approximately 57% 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 (50 percent) and net pension and OPEB liability (44 percent). Other liabilities consist almost entirely of payables on accounts and salaries and benefits (6 percent).

The District's net position includes its net 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.

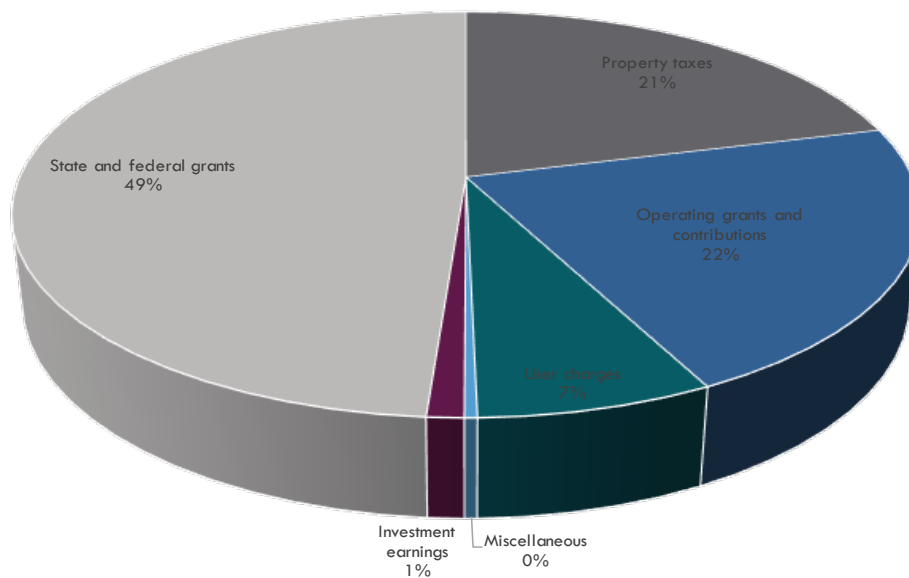
## Governmental Activities

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 increased \$506,790 and total expenses increased \$332,514 which resulted in a net increase of change in net position of \$174,276.

## Revenues

The District's total revenues were \$12,937,298, representing an increase of \$506,790 from the previous year. The majority of this increase is due to a \$369,497 in grant funding, primarily ESSER (Covid) funding. Property taxes increased \$210,791 while State aid increased \$162,418. As seen on the next page, approximately 21 percent of the District's revenue comes from taxes while approximately 71 percent comes primarily from program revenue and state and federal sources.

**Total Revenue by Source**

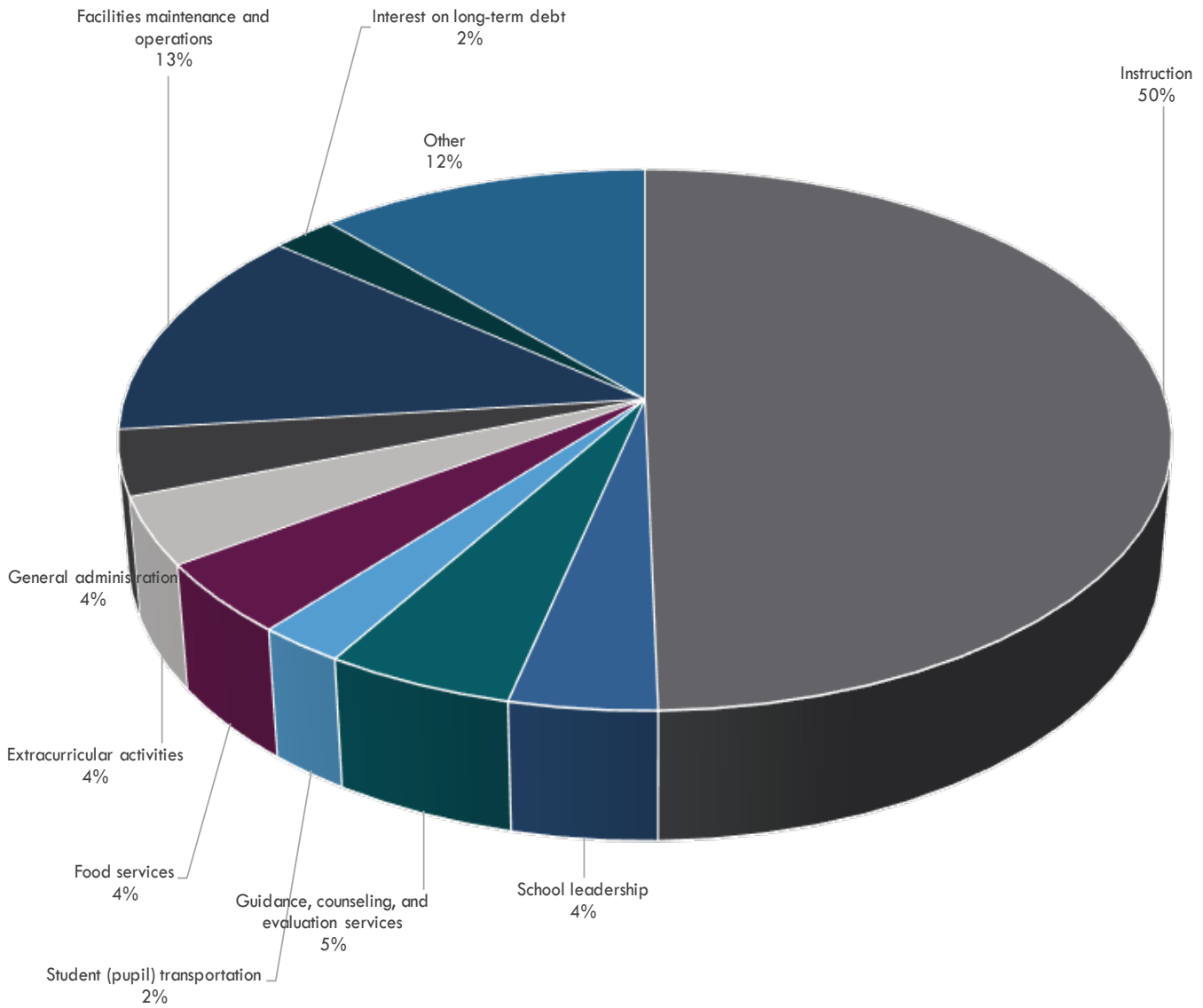


## Expenses

The District's total expenses were \$10,817,974, representing an increase of \$332,514 from the previous year. The majority of the increase was attributed to facilities maintenance and operations and student transportation. As seen on the next page, the District's primary functional expenses are:

- Instruction - \$5,371,602 or 50 percent of total expenses
- Facilities maintenance and operations - \$1,382,570, or 13 percent

**Total Expenses by Source**



In total, governmental activities increased the District's net position by \$2,119,324. Key elements of this change are as follows:

	Governmental Activities	
	2021	2020
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 917,088	\$ 1,095,276
Operating grants/contributions	2,782,138	2,412,641
General revenues		
Property taxes	2,703,208	2,492,417
State aid - formula grants	6,296,044	6,133,626
Grants and contributions not restricted	46,258	-
Investment earnings	143,379	187,190
Miscellaneous	49,183	109,358
Total revenues	<u>12,937,298</u>	<u>12,430,508</u>
<b>Expenses</b>		
Instruction	5,371,602	5,383,294
Instructional resources and media services	126,664	94,528
Curriculum and staff development	5,083	8,719
Instructional leadership	267,194	249,015
School leadership	427,227	480,049
Guidance counseling and evaluation services	549,006	521,686
Social work services	32,974	41,090
Health services	37,132	41,865
Student (pupil) transportation	253,039	179,571
Food services	462,711	397,441
Extracurricular activities	435,723	413,693
General administration	422,096	421,968
Facilities maintenance and operations	1,382,570	1,128,571
Security and monitoring services	2,719	15,787
Data processing services	385,895	435,299
Interest on long-term debt	242,684	242,841
Bond issuance costs and fees	1,207	1,205
Facilities acquisition and construction	1,414	-
Payments related to shared services arrangements	323,157	341,010
Other intergovernmental charges	87,877	87,828
Total expenses	<u>10,817,974</u>	<u>10,485,460</u>
Change in net position	2,119,324	1,945,048
Net position, beginning	<u>11,076,164</u>	<u>9,131,116</u>
Net position, ending	<u>\$ 13,195,488</u>	<u>\$ 11,076,164</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 \$10,477,012, an increase of \$1,938,654 in comparison with the prior year. Approximately 60 percent of this total amount (\$6,328,320) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of fund balance is restricted, committed, or assigned to indicate that it is not available for new spending because it has already been restricted for grants (\$2,540) and to pay debt service (\$3,867,667). The District's committed fund balance consists of future construction and capital expenditures (\$250,000) and campus activity funds (\$24,999). Assignments reflect the District's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. The District's assigned fund balance consists of SHAC funds (\$3,486).

**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 \$6,328,320, while total fund balance reached \$6,581,806. 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 79 percent of total General Fund expenditures, while total fund balance represents 83 percent of that same amount.

The fund balance of the District's General Fund increased by \$1,489,347 during the current fiscal year. Key factors in this growth are as follows:

- Revenues totaled \$9,402,275 which is a 3 percent increase from previous year. State Foundation revenue increased \$155,171.
- Expenditures totaled \$7,912,928 which is an 8 percent increase from previous year.

**Debt Service Fund.** The Debt Service Fund has a total fund balance of \$3,867,667, which is restricted for the payment of debt service. The net increase in fund balance was \$441,359.

**SSA Special Education Fund.** The SSA Special Education fund has no fund balance. Total revenues were \$564,601, a decrease of \$213,223 from the previous year.

### 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 \$26,000 from the original budget.
- ***Variances of amended budget to actual expenditures.***  
Expenditures were \$387,752 less than final budgeted amounts.
- ***Variances of original revenue budget compared to actual revenue***  
Total revenues were over budget by \$566,472 largely due to higher property tax collections and higher State aid.



**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2021, the District had invested \$15.0 million in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase of \$214,523 or 1.45 percent over last year. Additional information on the District's capital assets can be found in Note 7 of this report.

	Governmental Activities	
	2021	2020
Land	\$ 647,938	\$ 647,938
Buildings and improvements	20,240,421	19,515,500
Furniture, equipment and vehicles	2,328,317	2,179,415
	23,216,676	22,342,853
Total at historical cost	23,216,676	22,342,853
Less accumulated depreciation	(8,248,952)	(7,589,652)
Net capital assets	\$ 14,967,724	\$ 14,753,201

**Long-Term Obligations**

At the end of 2021, the District had \$5,950,000 in long-term liabilities which consists of general obligation bonds. The District's long-term liabilities did not change from the previous year.

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

	Governmental Activities	
	2021	2020
General obligation bonds	\$ 5,950,000	\$ 5,950,000
Total bonds payable	\$ 5,950,000	\$ 5,950,000

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The local economy continues to be strong. The 2021-22 appraised property values increased by 12.04%. Because of the actions of the 85th Legislative Session, the Maintenance and Operations (M & O) tax rate was reduced to \$ 0.9507 per \$100 valuation which was a \$ 0.0781 reduction from the previous year. Because of the reduced tax rate, local tax collections are budgeted to decrease \$8,801 from 2020-2021. The Interest and Sinking (I & S) tax rate also decreased from \$ 0.1695 to \$ 0.1670. The combined tax rate decreased by \$ 0.0806 per \$100 valuation.

The District's 2021-22 budget was based on student enrollment of 650 refined average daily attendance (RADA) which was 23 less than the ending RADA of 2020-21 because of the continuing unknown effects of the COVID-19 pandemic. Revenues were budgeted to decrease by \$45,289, with the largest decrease coming from the state. Total expenditures are budgeted to decline \$57,457. These changes in revenues and expenditures resulted in the 2021-22 General Fund budget adding \$445,402 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, 2021

Data Control Codes		1 Governmental Activities
	Assets	
1110	Cash and cash equivalents	\$ 979,137
1120	Current investments	6,434,338
1220	Property taxes receivable (delinquent)	300,128
1230	Allowance for uncollectible taxes	(98,570)
1240	Due from other governments	108,765
1267	Due from fiduciary fund	52
1290	Other receivables	3,665
	Capital assets	
1510	Land	647,938
1520	Buildings and improvements, net	13,538,486
1530	Furniture and equipment, net	781,300
1800	Restricted assets	3,711,497
1000	Total assets	26,406,736
	Deferred outflows of resources	
1705	Deferred outflows - pension	907,617
1706	Deferred outflows - OPEB	503,670
1700	Total deferred outflows of resources	1,411,287
	Liabilities	
2110	Accounts payable	39,368
2140	Interest payable	25,131
2160	Accrued wages payable	330,461
2200	Accrued liabilities	26,340
2300	Unearned revenue	361,968
	Noncurrent liabilities	
2502	Due in more than one year	5,950,000
2540	Net pension liability	2,490,818
2545	Net OPEB liability	2,796,211
2000	Total liabilities	12,020,297
	Deferred inflows of resources	
2605	Deferred inflows - pension	429,852
2606	Deferred inflows - OPEB	2,172,386
2600	Total deferred inflows of resources	2,602,238
	Net position	
3200	Net investment in capital assets	9,017,724
3820	Restricted for federal and state programs	2,540
3850	Restricted for debt service	3,870,677
3900	Unrestricted	304,547
3000	Total net position	\$ 13,195,488

Data Control Codes		Program Revenues		
		1	3	4
		Expenses	Charges for Services	Operating Grants and Contributions
	Governmental activities			
11	Instruction	\$ 5,371,602	\$ 492,393	\$ 1,293,016
12	Instructional resources and media services	126,664	-	8,843
13	Curriculum and instructional staff development	5,083	-	5,085
21	Instructional leadership	267,194	104,600	11,469
23	School leadership	427,227	-	34,074
31	Guidance, counseling, and evaluation services	549,006	48,277	327,389
32	Social work services	32,974	-	30,747
33	Health services	37,132	-	3,241
34	Student transportation	253,039	-	5,587
35	Food services	462,711	2,677	427,951
36	Extracurricular activities	435,723	48,387	11,386
41	General administration	422,096	-	12,990
51	Facilities maintenance and operations	1,382,570	136,600	107,682
52	Security and monitoring services	2,719	-	-
53	Data processing services	385,895	68,062	140,654
72	Debt service - interest on long-term debt	242,684	-	162,024
73	Bond issuance costs	1,207	-	-
81	Facilities acquisition and construction	1,414	-	-
93	Payments related to shared service arrangements	323,157	16,092	200,000
99	Other intergovernmental charges	87,877	-	-
TG	Total governmental activities	<u>10,817,974</u>	<u>917,088</u>	<u>2,782,138</u>
TP	Total primary government	<u>\$ 10,817,974</u>	<u>\$ 917,088</u>	<u>\$ 2,782,138</u>
	General revenues			
MT	Property taxes, levied for general purposes			
DT	Property taxes, levied for debt service			
SF	State aid - Formula grants			
GC	Grants and contributions not restricted			
IE	Investment earnings			
MI	Miscellaneous			
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, 2021

Net (Expense) Revenue and Changes in Net Position	
6	8
Governmental Activities	Total
\$ (3,586,193)	\$ (3,586,193)
(117,821)	(117,821)
2	2
(151,125)	(151,125)
(393,153)	(393,153)
(173,340)	(173,340)
(2,227)	(2,227)
(33,891)	(33,891)
(247,452)	(247,452)
(32,083)	(32,083)
(375,950)	(375,950)
(409,106)	(409,106)
(1,138,288)	(1,138,288)
(2,719)	(2,719)
(177,179)	(177,179)
(80,660)	(80,660)
(1,207)	(1,207)
(1,414)	(1,414)
(107,065)	(107,065)
(87,877)	(87,877)
(7,118,748)	(7,118,748)
(7,118,748)	(7,118,748)
2,320,985	2,320,985
382,223	382,223
6,296,044	6,296,044
46,258	46,258
143,379	143,379
49,183	49,183
9,238,072	9,238,072
2,119,324	2,119,324
11,076,164	11,076,164
\$ 13,195,488	\$ 13,195,488

<u>Data Control Codes</u>		<u>199 General Fund</u>	<u>437 SSA Special Education</u>
Assets			
1110	Cash and cash equivalents	\$ 675,737	\$ 167,729
1120	Current investments	6,115,715	204,041
1220	Property taxes - delinquent	253,302	-
1230	Allowance for uncollectible taxes (credit)	(83,191)	-
1240	Due from other governments	18,245	-
1260	Due from other funds	43,754	-
1290	Other receivables	3,665	-
1800	Restricted assets	-	-
		<u>                    </u>	<u>                    </u>
1000	Total assets	<u>7,027,227</u>	<u>371,770</u>
1000a	Total assets and deferred outflows	<u><u>\$ 7,027,227</u></u>	<u><u>\$ 371,770</u></u>
Liabilities			
2110	Accounts payable	\$ 30,782	\$ 197
2160	Accrued wages payable	226,460	11,082
2170	Due to other funds	20,480	52
2200	Accrued expenditures	18,703	235
2300	Unearned revenue	-	360,204
		<u>                    </u>	<u>                    </u>
2000	Total liabilities	<u>296,425</u>	<u>371,770</u>
Deferred inflows of resources			
2600	Unavailable revenue - property taxes	148,996	-
	Total deferred inflows of resources	<u>148,996</u>	<u>-</u>
Fund balance			
3450	Restricted - grants	-	-
3480	Restricted - debt service	-	-
3510	Committed - construction	250,000	-
3545	Committed - other	-	-
3590	Assigned - other	3,486	-
3600	Unassigned	6,328,320	-
		<u>                    </u>	<u>                    </u>
3000	Total fund balances	<u>6,581,806</u>	<u>-</u>
4000	Total liabilities, deferred inflows and fund balances	<u><u>\$ 7,027,227</u></u>	<u><u>\$ 371,770</u></u>

See Notes to Financial Statements

De Leon Independent School District  
Balance Sheet – Governmental Funds (Exhibit C-1)  
August 31, 2021

599 Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 38,565	\$ 81,168	\$ 963,199
114,582	-	6,434,338
46,826	-	300,128
(15,379)	-	(98,570)
1,481	89,039	108,765
-	368	44,122
-	-	3,665
3,711,497	-	3,711,497
<u>3,897,572</u>	<u>170,575</u>	<u>11,467,144</u>
<u>\$ 3,897,572</u>	<u>\$ 170,575</u>	<u>\$ 11,467,144</u>
\$ -	\$ 8,389	\$ 39,368
-	92,919	330,461
-	34,326	54,858
-	7,402	26,340
1,764	-	361,968
<u>1,764</u>	<u>143,036</u>	<u>812,995</u>
<u>28,141</u>	<u>-</u>	<u>177,137</u>
<u>28,141</u>	<u>-</u>	<u>177,137</u>
-	2,540	2,540
3,867,667	-	3,867,667
-	-	250,000
-	24,999	24,999
-	-	3,486
-	-	6,328,320
<u>3,867,667</u>	<u>27,539</u>	<u>10,477,012</u>
<u>\$ 3,897,572</u>	<u>\$ 170,575</u>	<u>\$ 11,467,144</u>

De Leon Independent School District  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit C-1R)  
 August 31, 2021

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Total Fund Balances - Governmental Funds ( Exhibit C-1)		\$ 10,477,012
1 Capital assets, net of accumulated depreciation, are not financial resources and therefore are not reported as assets in governmental funds.		14,967,724
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 net position of internal service funds is reported with governmental activities. The net effect of this consolidation is to increase net position.		26,726
3 Long-term liabilities, including bonds payable, 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		177,137
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	(2,490,818)	
Deferred outflows of resources - TRS pension	907,617	
Deferred inflows of resources - TRS pension	(429,852)	
Net OPEB liability	(2,796,211)	
Deferred outflows of resources - TRS-Care OPEB	503,670	
Deferred inflows of resources - TRS-Care OPEB	(2,172,386)	
		<u>(6,477,980)</u>
19 Total net position - Governmental Activities (Exhibit A-1)		<u>\$ 13,195,488</u>



Data Control Codes		199 General Fund	437 SSA Special Education
	Revenues		
5700	Local and intermediate sources	\$ 2,604,581	\$ 402,454
5800	State program revenues	6,651,181	20,421
5900	Federal program revenues	146,513	141,726
5020	Total revenues	9,402,275	564,601
	Expenditures		
	Current		
0011	Instruction	3,808,286	237,250
0012	Instructional resources and media services	125,345	-
0013	Curriculum and instructional staff development	-	-
0021	Instructional leadership	-	264,985
0023	School leadership	421,273	-
0031	Guidance, counseling and evaluation services	176,285	42,698
0032	Social work services	-	-
0033	Health services	37,038	-
0034	Student (pupil) transportation	319,908	-
0035	Food services	-	-
0036	Extracurricular activities	382,860	-
0041	General administration	400,121	-
0051	Facilities maintenance and operations	1,380,551	19,668
0052	Security and monitoring services	2,720	-
0053	Data processing services	237,632	-
	Debt service		
0072	Interest on long term debt	-	-
0073	Bond issuance costs	-	-
	Capital outlay		
0081	Facilities acquisition and construction	409,875	-
	Intergovernmental		
0093	Payments to fiscal agent/member districts of SSA	123,157	-
0099	Other intergovernmental charges	87,877	-
6030	Total expenditures	7,912,928	564,601
1100	Excess (deficiency) of revenues over (under) expenditures	1,489,347	-
1200	Net changes in fund balances	1,489,347	-
0100	Fund balance, beginning	5,092,459	-
3000	Fund balance, ending	\$ 6,581,806	\$ -

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, 2021

599 Debt Service Fund	Nonmajor Governmental Funds	98 Total Governmental Funds
\$ 523,226	\$ 26,732	\$ 3,556,993
61,990	59,231	6,792,823
100,034	2,061,889	2,450,162
<u>685,250</u>	<u>2,147,852</u>	<u>12,799,978</u>
-	949,164	4,994,700
-	-	125,345
-	5,085	5,085
-	-	264,985
-	757	422,030
-	307,390	526,373
-	30,094	30,094
-	-	37,038
-	-	319,908
-	424,778	424,778
-	18,647	401,507
-	-	400,121
-	70,363	1,470,582
-	-	2,720
-	133,626	371,258
242,684	-	242,684
1,207	-	1,207
-	-	409,875
-	200,000	323,157
-	-	87,877
<u>243,891</u>	<u>2,139,904</u>	<u>10,861,324</u>
<u>441,359</u>	<u>7,948</u>	<u>1,938,654</u>
441,359	7,948	1,938,654
3,426,308	19,591	8,538,358
<u>\$ 3,867,667</u>	<u>\$ 27,539</u>	<u>\$ 10,477,012</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, 2021

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Total Net Change in Fund Balances - Governmental Funds (Exhibit C-2)	\$	1,938,654
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 capital asset additions of \$909,287 is to increase net position.		909,287
Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(694,764)
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.		3,720
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 \$177,137 as revenue and removing the prior year's tax collection of \$163,253.		13,884
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 \$19,027. 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 \$174,565. The net effect is a decrease in net position.		(155,538)
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 \$5,295. 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 increase in the amount of \$98,786. The net effect is an increase in net position.		104,081
Change in net position of governmental activities - Statement of Activities - (Exhibit B-1)	\$	2,119,324

De Leon Independent School District  
Statement of Net Position – Proprietary Fund (Exhibit D-1)  
August 31, 2021

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<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Fund</u>
	Assets	
	Current assets	
1110	Cash and cash equivalents	\$ 15,938
1260	Due from other funds	<u>10,788</u>
1000	Total assets	<u>26,726</u>
	Net position	
3900	Unrestricted	<u>26,726</u>
3000	Total net position	<u><u>\$ 26,726</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, 2021

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<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Fund</u>
	Operating revenues	
5700	Local and intermediate sources	\$ 8,938
	Total operating revenues	8,938
	Operating expenses	
6400	Other operating costs	5,218
6030	Total operating expenses	5,218
	Operating income	3,720
1300	Change in net position	3,720
0100	Net position, beginning	23,006
3300	Net position, ending	\$ 26,726

De Leon Independent School District  
Statement of Cash Flows – Proprietary Fund (Exhibit D-3)  
Year Ended August 31, 2021

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	Governmental Activities
	Internal Service Fund
Operating activities	
Charges for services	\$ 8,938
Cash payments for claims and contracted services	(5,218)
	3,720
Net cash from operating activities	
Non-capital financing activities	
Cash payments from other funds	2,488
	2,488
Net cash from non-capital financing activities	
Net change in cash and cash equivalents	6,208
Cash and cash equivalents at beginning of the year	9,730
Cash and cash equivalents at end of the year	\$ 15,938
Reconciliation of operating income to net cash from operating activities	
Operating income	\$ 3,720
Net cash from operating activities	\$ 3,720

De Leon Independent School District  
Statement of Fiduciary Net Position – Fiduciary Fund (Exhibit E-1)  
August 31, 2021

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	Custodial Fund
Assets	
Cash and cash equivalents	\$ 16,930
Current investments	72,114
Total assets	89,044
Liabilities	
Due to other funds	52
Total liabilities	52
Net Position	
Restricted	88,992
Total net position	\$ 88,992

De Leon Independent School District  
Statement of Changes in Fiduciary Net Position – Fiduciary Fund (Exhibit E-2)  
Year Ended August 31, 2021

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	Custodial Fund
Additions	
Contributions	\$ 89,184
Total additions	89,184
Deductions	
Extracurricular activities	91,889
Total deductions	91,889
Change in net position	(2,705)
Net position, beginning	-
Prior period adjustment	91,697
Net position, beginning, as restated	91,697
Net position, ending	\$ 88,992



**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. 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 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.

*Custodial Fund*, a fiduciary fund type, account for resources held for others in a custodial capacity. The District's Custodial Fund is the student activity fund.

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 reported at amortized cost.

##### **Custodial Credit Risk – Deposits**

At August 31, 2021, the District's deposits (cash, certificates of deposit and interest bearing savings accounts including temporary investments) were entirely covered by pledged collateral held by the District's agent bank in the District's name or by federal deposit insurance.

### 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).

### Concentration of Credit Risk

The District’s investment policy does not limit investments in any one issuer except that the investment portfolio shall be diversified in terms of investment instruments, maturing scheduling, and financial institutions to reduce risk of loss resulting from over concentration in a specific class of investments, specific maturity, or specific user.

### 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:

Asset Class	Estimated Useful Lives
Buildings & improvements	10 - 40 years
Furniture, equipment and vehicles	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.

**Restricted Assets**

Certain resources have been set aside for the repayment of bonds payable or for use in construction projects. The assets and related payables are classified as restricted because their use is limited by applicable bond covenants. Restricted assets at August 31, 2021 were as follows:

Debt Service Fund - QSCB sinking fund	\$ 3,711,497
	<u>\$ 3,711,497</u>

**Implementation of GASB Statement No. 84**

As of September 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of agency funds to custodial funds that resulted in a restatement of net position of custodial funds. The effect of the implementation of this standard on beginning net position is disclosed in Note 18.

### **New Accounting Pronouncements**

In May 2020, the GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases

The provisions of this Statement were implemented as of August 30, 2021.

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.



In January 2020, the GASB issued Statement No. 92, Omnibus 2020. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reporting.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits.
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The effects of this change on the District's financial statements have not yet been determined.

## **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, 2021, 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, 2021, are shown below:

Investment Pools	Amortized Cost	Rating	Weighted Average Maturity (Days)*
Lone Star	\$ 6,506,452	AAA	45
Total	<u>\$ 6,506,452</u>		

\*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	\$ 6,434,338
Exhibit E-1	72,114
	<u>\$ 6,506,452</u>

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, 2021, fiscal year was based, was \$246,742,662.

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, 2021, were 96.18% 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, 2021, property taxes receivable, net of estimated uncollectible taxes, totaled \$170,111 and \$31,447 for the General and Debt Service Funds, respectively.

The tax rates assessed for the year ended August 31, 2021, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.02880 and \$0.01695 per \$100 valuation, respectively, for a total of \$1.04575 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, 2021, are summarized below:

Fund	State Grants/ Entitlements	Federal Grants	Total
General fund	\$ 18,245	\$ -	\$ 18,245
Debt service fund	1,481	-	1,481
Nonmajor special revenue funds	2,873	86,166	89,039
	<u>\$ 22,599</u>	<u>\$ 86,166</u>	<u>\$ 108,765</u>

#### 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 as of August 31, 2021 is as follows:

	Interfund Receivables	Interfund Payables
General fund	\$ 43,754	\$ 20,480
SSA - special education	-	52
Nonmajor special revenue funds	368	34,326
Internal service fund	10,788	-
Custodial fund	-	52
Totals	<u>\$ 54,910</u>	<u>\$ 54,910</u>

**Capital Assets**

Capital asset activity for the year ended August 31, 2021 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	19,515,500	724,921	-	20,240,421
Furniture and equipment	1,052,750	40,055	-	1,092,805
Vehicles	1,126,665	144,311	35,464	1,235,512
Total capital assets being depreciated	<u>21,694,915</u>	<u>909,287</u>	<u>35,464</u>	<u>22,568,738</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,135,755)	(566,180)	-	(6,701,935)
Furniture and equipment	(703,979)	(47,083)	-	(751,062)
Vehicles	(749,918)	(81,501)	35,464	(795,955)
Total accumulated depreciation	<u>(7,589,652)</u>	<u>(694,764)</u>	<u>35,464</u>	<u>(8,248,952)</u>
Total capital assets being depreciated, net	<u>14,105,263</u>	<u>214,523</u>	<u>-</u>	<u>14,319,786</u>
Governmental activities capital assets, net	<u>\$ 14,753,201</u>	<u>\$ 214,523</u>	<u>\$ -</u>	<u>\$ 14,967,724</u>

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

Instruction	\$ 282,048
Student (pupil) transportation	77,181
Food service	29,200
Extracurricular activities	30,338
Facilities maintenance and operations	253,353
Data processing services	22,059
Facilities acquisition and construction	<u>585</u>
Total depreciation expense - governmental activities	<u>\$ 694,764</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, 2021 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			<u>\$ 5,950,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,950,000</u>	<u>\$ -</u>

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

Year Ending August 31,	Principal	Interest	Total Requirements
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	405,000	9,738	414,738
2027	35,000	718	35,718
	<u>\$ 5,950,000</u>	<u>\$ 463,519</u>	<u>\$ 6,413,519</u>

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

Fiscal Year	Annual Requirements
2022	\$ 280,948
2023	280,948
2024	280,948
	\$ 842,844

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	\$ -
Total long-term debt	\$ 5,950,000	\$ -	\$ -	\$ 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, 2021.

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, 2021, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying 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 is 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 who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

**Pension Plan Fiduciary Net Position**

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2020.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2020.pdf) or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

## Benefits Provided

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

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

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 86<sup>th</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2025.

	Contribution Rates	
	2020	2021
Member	7.70%	7.70%
Non-employer contributing entity (State)	7.50%	7.50%
Employers	7.50%	7.50%

The contribution amounts for the District are as follows:

	2020	2021
Member contributions	\$ 421,226	\$ 442,227
NECE on-behalf contributions	306,172	317,258
Employer contributions	191,889	210,916

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

Employers (public school, junior college, other entities, or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

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

- All public schools, charter schools and regional education service centers must contribute 1.5% of the member's salary beginning in fiscal year 2020, gradually increasing to 2% in fiscal year 2025.
- When employing a retiree of the TRS the employer shall pay both the member contribution and State contribution as an employment after retirement surcharge.

### Actuarial Assumptions

The total pension liability in the August 31, 2019 actuarial valuation rolled forward to August 31, 2020 was determined using the following actuarial assumptions outlined below.

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
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	2.33%
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, 2020. For a full description of these assumptions, please see the actuarial valuation report dated November 14, 2019.

### Discount Rate

A single discount rate of 7.25% 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 System’s target asset allocation as of August 31, 2020, are summarized below:

**Teacher Retirement System of Texas  
Asset Allocation and Long-Term Expected Real Rate of Return as of August 31, 2020**

Asset Class	Target Allocation <sup>1</sup>	Long-Term Expected Arithmetic Real Rate of Return <sup>2</sup>	Expected Contribution to Long Term Portfolio Returns
Global Equity			
U.S.	18.0%	3.9%	0.99%
Non-U.S. Developed	13.0%	5.1%	0.92%
Emerging Markets	9.0%	5.6%	0.83%
Private Equity	14.0%	6.7%	1.41%
Stable Value			
Government Bonds	16.0%	-0.7%	-0.05%
Stable Value Hedge Funds	5.0%	1.9%	0.11%
Real Return			
Real Estate	15.0%	4.6%	1.02%
Energy and Natural Resources and Infrastructure	6.0%	6.0%	0.42%
Risk Parity			
Risk Parity	8.0%	3.0%	0.30%
Asset Allocation Leverage			
Cash	2.0%	-1.5%	-0.03%
Asset Allocation Leverage	-6.0%	-1.3%	-0.08%
Inflation Expectation			2.00%
Volatility Drag <sup>3</sup>			-0.67%
Expected Return	<u>100.0%</u>		<u>7.33%</u>

<sup>1</sup> Target Allocation based on the FY 2020 policy manual.

<sup>2</sup> Capital Market Assumptions come from Aon Hewitt (as of 8/31/2020).

<sup>3</sup> The volatility drag results from the conversion between arithmetic and geometric mean returns.

**Discount Rate Sensitivity Analysis**

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

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Total TRS net pension liability	\$ 82,585,415,626	\$ 53,557,959,841	\$ 29,973,787,965
District's proportionate share of the net pension liability	\$ 3,840,800	\$ 2,490,818	\$ 1,393,991

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

At August 31, 2021, the District reported a liability of \$2,490,818 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	\$ 2,490,818
State's proportionate share that is associated with the District	3,956,450
Total	\$ 6,447,268

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

At August 31, 2020, the employer's proportion of the collective net pension liability was .0046506963% which was a decrease of .00002474% from its proportion measured as of August 31, 2019.



**Changes Since the Prior Actuarial Valuation**

There were no changes in assumptions since the prior measurement date.

For the year ended August 31, 2021, the District recognized pension expense of \$475,873 and revenue of \$304,799 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 4,548	\$ 69,512
Changes in actuarial assumptions	577,958	245,744
Difference between projected and actual investment earnings	50,425	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	63,770	114,596
Contributions paid to TRS subsequent to the measurement date	210,916	-
Total	\$ 907,617	\$ 429,852

\$210,916 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, 2022.

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
2022	\$ 71,708
2023	90,188
2024	101,990
2025	32,167
2026	(28,129)
Thereafter	(1,075)
	\$ 266,849
Total	

**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 TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code, Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend the benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

**OPEB Plan Fiduciary Net Position**

Detail information about the TRS-Care’s fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2020.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2020.pdf); or 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. 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

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

**Contributions**

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual 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:

Contribution Rates		
	2020	2021
Active employee	0.65%	0.65%
Non-Employer contributing entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding remitted by employers	1.25%	1.25%
	2020	2021
Employer contributions	\$ 54,674	\$ 59,969
Member contributions	35,557	37,331
NECE On-behalf contributions	77,158	61,274

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 \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

### Actuarial Assumptions

The total OPEB liability in the August 31, 2019 was rolled forward to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions:

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

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2019 TRS pension plan actuarial valuation that was rolled forward to August 31, 2020:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll growth
Rates of disability incidence	

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

#### Additional Actuarial Methods and Assumptions

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.33%
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	3.05% to 9.05%
Healthcare Trend Rates	4.25% to 9.0%
	The initial medical trend rates were 9.00% for Medicare retirees and 7.3% for non-Medicare retirees. There was an initial prescription drug trend rate of 9.0% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65; 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

**Discount Rate**

A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of 0.30% 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.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2020 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

**Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% lower than and 1% higher than the discount rate that was used (2.33%) in measuring the Net OPEB Liability.

	1% Decrease Discount in Rate (1.33%)	Discount Rate (2.33%)	1% Increase Discount in Rate (3.33%)
Total TRS net OPEB liability	\$ 45,617,332,072	\$ 38,014,515,883	\$ 32,009,382,286
District's proportionate share of the net OPEB liability	\$ 3,355,428	\$ 2,796,211	\$ 2,354,482

**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 health trend rates used:

	1% Decrease Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Total TRS net OPEB liability	\$ 31,052,989,071	\$ 38,014,515,883	\$ 47,286,285,654
District's proportionate share of the net OPEB liability	\$ 2,284,134	\$ 2,796,211	\$ 3,478,190

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

At August 31, 2021, the District reported a liability of \$2,796,211 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	\$ 2,796,211
State's proportionate share that is associated with the District	<u>3,757,437</u>
Total	<u><u>\$ 6,553,648</u></u>

The Net OPEB Liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 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, 2019 through August 31, 2020.

At August 31, 2020, the District's proportion of the collective Net OPEB Liability was 0.00735564% which was a decrease of 0.00022174% from its proportion measured as of August 31, 2019.

### Changes Since the Prior Actuarial Valuation

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

- The discount rate changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020. This change increased the Total OPEB liability.
- The participation rate for post-65 retirees was lowered from 50% to 40%. These changes decreased the Total OPEB Liability.
- The ultimate health care trend rate assumption was lowered from 4.50% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change decreased the Total OPEB Liability.

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, 2021, the District recognized OPEB expense of \$26,090 and revenue of \$75,126 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 146,408	\$ 1,279,689
Changes in actuarial assumptions	172,468	767,854
Difference between projected and actual investment earnings	909	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	123,916	124,843
Contributions paid to TRS subsequent to the measurement date	59,969	-
Total	\$ 503,670	\$ 2,172,386

\$59,969 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, 2022.

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
2022	\$ (291,522)
2023	(291,643)
2024	(291,716)
2025	(291,697)
2026	(217,008)
Thereafter	(345,099)
Total	\$ (1,728,685)

#### 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 \$25,445, \$23,126, and \$18,395 for the years ended August 31, 2021, 2020 and 2019, respectively.



**Note 12 - Revenues from Local and Intermediate Sources**

For the year ended August 31, 2021, 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	\$ 2,308,460	\$ 380,864	\$ -	\$ -	\$ 2,689,324
Food service sales	-	-	-	2,677	2,677
Investment income	7,827	135,405	147	-	143,379
Penalties, interest, and other tax related income	42,226	6,957	-	-	49,183
Co-curricular student activities	25,177	-	-	-	25,177
Revenue from member districts	-	-	402,307	-	402,307
Gifts and bequests	23,120	-	-	-	23,120
Other	197,771	-	-	24,055	221,826
<b>Total</b>	<b>\$ 2,604,581</b>	<b>\$ 523,226</b>	<b>\$ 402,454</b>	<b>\$ 26,732</b>	<b>\$ 3,556,993</b>

**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 2021, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**Unemployment Compensation – Self Funded**

During the year ended August 31, 2021, 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, 2021, 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 \$3,867,667 for future debt service requirements and \$2,540 restricted for Federal grants.

*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, 2021, the District had \$250,000 committed for future capital projects and \$24,999 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 \$3,486 assigned for Student Health Advisory Council (SHAC) at August 31, 2021.

*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 \$8,256 and maximum aggregate loss is \$21,984. The District has accrued \$13,721 at August 31, 2021 for workers' compensation claims payable. The following is a reconciliation of workers' compensation claims during the previous two years:

	2021	2020
Claims payable beginning of year	\$ 11,166	\$ 24,442
Claims incurred	5,217	3,163
Claims paid	(2,662)	(16,439)
Claims payable end of year	\$ 13,721	\$ 11,166

**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	\$ 123,282
Comanche ISD	243,177
Cross Plains ISD	64,172
Gustine ISD	34,897
Rising Star ISD	17,451
Sidney ISD	36,026
May ISD	45,596
Total	\$ 564,601

**Note 17 - General Fund Federal Source Revenues**

	CFDA	Amount
School Health and Related Services	n/a	\$ 100,255
Indirect costs		
ESSER II	84.425D	10,106
ESSER III	84.425U	36,152
Total		\$ 146,513

**Note 18 - Adoption of New Standard**

As of September 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). The impact to the District resulted in a reclassification of agency funds to custodial funds that resulted in a restatement of net position of custodial funds.

In addition to the restatements of opening net position, the agency funds previously accounted for various student activity funds collected on behalf of those students. Those activities are now reported as custodial funds.

The following table describes the effects of the implementation of GASB 84 on beginning net position.

	Custodial Funds
Net position at September 1, 2020, as previously reported	\$ -
Reclassification of various student activity funds to custodial funds	91,697
Net position at September 1, 2020, as restated	\$ 91,697



De Leon Independent School District  
 Budgetary Comparison Schedule – General Fund (Exhibit G-1)  
 Year Ended August 31, 2021

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
		Original	Final		
	Revenues				
5700	Local and intermediate sources	\$ 2,395,238	\$ 2,395,238	\$ 2,604,581	\$ 209,343
5800	State program revenues	6,011,650	6,340,565	6,651,181	310,616
5900	Federal program revenues	50,000	100,000	146,513	46,513
5020	Total revenues	<u>8,456,888</u>	<u>8,835,803</u>	<u>9,402,275</u>	<u>566,472</u>
	Expenditures				
	Current				
0011	Instruction	3,831,083	3,831,083	3,808,286	22,797
0012	Instructional resources and media services	91,415	131,415	125,345	6,070
0013	Curriculum and instructional staff development	8,750	8,750	-	8,750
0023	School leadership	453,193	453,193	421,273	31,920
0031	Guidance, counseling and evaluation services	193,985	203,985	176,285	27,700
0033	Health services	36,543	41,543	37,038	4,505
0034	Student (pupil) transportation	325,439	325,439	319,908	5,531
0036	Extracurricular activities	384,174	389,174	382,860	6,314
0041	General administration	401,930	401,930	400,121	1,809
0051	Facilities maintenance and operations	1,438,070	1,488,070	1,380,551	107,519
0052	Security and monitoring services	21,404	12,404	2,720	9,684
0053	Data processing services	359,337	339,337	237,632	101,705
	Debt service				
0071	Principal on long-term debt	11,200	11,200	-	11,200
0081	Facilities acquisition & construction	500,000	445,000	409,875	35,125
	Intergovernmental				
0093	Payments to fiscal agent/member districts of SSA	123,157	123,157	123,157	-
0099	Other intergovernmental charges	95,000	95,000	87,877	7,123
6030	Total expenditures	<u>8,274,680</u>	<u>8,300,680</u>	<u>7,912,928</u>	<u>387,752</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>182,208</u>	<u>535,123</u>	<u>1,489,347</u>	<u>954,224</u>
	Other financing sources (uses)				
7949	Proceeds from insurance	-	128,554	-	(128,554)
8911	Transfers out	(62,212)	(57,212)	-	57,212
	Total other financing sources (uses)	<u>(62,212)</u>	<u>71,342</u>	<u>-</u>	<u>(71,342)</u>
1200	Net change in fund balances	119,996	606,465	1,489,347	882,882
0100	Fund balances, beginning	5,092,459	5,092,459	5,092,459	-
3000	Fund balances, ending	<u>\$ 5,212,455</u>	<u>\$ 5,698,924</u>	<u>\$ 6,581,806</u>	<u>\$ 882,882</u>

De Leon Independent School District  
Schedule of District's Proportionate Share of the Net Pension Liability (Exhibit G-2)  
August 31, 2021

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0046506963%	0.0046754390%	0.0047795812%	0.0047818458%	0.0051242061%	0.005687800%	0.003861900%
District's proportionate share of net pension liability	\$ 2,490,818	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	3,956,450	3,369,464	3,837,112	2,327,281	2,575,676	2,532,928	2,122,871
	<u>\$ 6,447,268</u>	<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	\$ 5,470,903	\$ 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	45.53%	52.99%	54.34%	34.00%	43.45%	44.70%	24.73%
Plan fiduciary net position as a percentage of the total pension liability	75.54%	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 2014.

De Leon Independent School District  
Schedule of District's Contributions to the Pension Plan (Exhibit G-3)  
August 31, 2021

	<u>8/31/2021</u>	<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	\$ 210,916	\$ 191,889	\$ 162,810	\$ 161,012	\$ 148,871	\$ 162,809	\$ 155,969
Contribution in relation to the contractually required contribution	<u>(210,916)</u>	<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>	<u>\$ -</u>
District's covered payroll	\$ 5,737,264	\$ 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	3.68%	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 2014.



De Leon Independent School District  
Schedule of District's Proportionate Share of the Net OPEB Liability (Exhibit G-4)  
August 31, 2021

	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.0073556396%	0.0071339081%	0.0072925251%	0.0074087165%
District's proportionate share of net OPEB liability	\$ 2,796,211	\$ 3,373,713	\$ 3,641,225	\$ 3,221,773
State's proportionate share of the net OPEB liability associated with the District	3,757,437	4,482,909	3,727,537	3,555,992
	<u>\$ 6,553,648</u>	<u>\$ 7,856,622</u>	<u>\$ 7,368,762</u>	<u>\$ 6,777,765</u>
District's covered payroll	\$ 5,470,903	\$ 4,700,621	\$ 4,841,414	\$ 4,496,648
District's proportionate share of net OPEB liability as a percentage of its covered payroll	51.11%	71.77%	75.21%	71.65%
Plan fiduciary net position as a percentage of the total OPEB liability	4.99%	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, 2021

	2021	2020	2019	2018
Contractually required contribution	\$ 59,969	\$ 54,674	\$ 50,479	\$ 45,062
Contribution in relation to the contractually required contribution	<u>(59,969)</u>	<u>(54,674)</u>	<u>(50,479)</u>	<u>(45,062)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,737,264	\$ 5,470,903	\$ 4,700,621	\$ 4,841,414
Contributions as a percentage of covered payroll	1.05%	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**

There were no changes in assumptions since the prior measurement date.

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

- The discount rate changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020. This change increased the Total OPEB liability.
- The participation rate for post-65 retirees was lowered from 50% to 40%. These changes decreased the Total OPEB Liability.
- The ultimate health care trend rate assumption was lowered from 4.50% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change decreased the Total OPEB Liability.



Data Control Codes		205  Head Start	206 McKinney-Vento Homeless ESSA Title IX Part A	208  Early Head Start
	Assets			
1110	Cash and cash equivalents	\$ -	\$ -	\$ -
1240	Receivables from other governments	29,039	200	9,799
1260	Due from other funds	-	-	-
1000	Total assets	\$ 29,039	\$ 200	\$ 9,799
	Liabilities			
2110	Accounts payable	\$ -	\$ -	\$ -
2160	Accrued wages payable	5,169	-	7,787
2170	Due to other funds	23,297	200	1,141
2200	Accrued expenditures	573	-	871
2000	Total liabilities	29,039	200	9,799
	Fund balances			
3450	Restricted - grants	-	-	-
3545	Committed - other	-	-	-
3000	Total fund balances	-	-	-
4000	Total liabilities and and fund balances	\$ 29,039	\$ 200	\$ 9,799

De Leon Independent School District  
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)  
August 31, 2021

211 ESEA Title I Part A	212 ESEA Title I Part C	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	266 ESSER I
\$ 9,581	\$ -	\$ -	\$ 467	\$ -	\$ -	\$ -
3,256	-	3,247	20,152	-	-	-
-	-	-	368	-	-	-
<u>\$ 12,837</u>	<u>\$ -</u>	<u>\$ 3,247</u>	<u>\$ 20,987</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 7,351	\$ -	\$ -	\$ -
11,548	-	2,925	10,864	-	-	-
-	-	-	-	-	-	-
1,289	-	322	232	-	-	-
12,837	-	3,247	18,447	-	-	-
-	-	-	2,540	-	-	-
-	-	-	-	-	-	-
-	-	-	2,540	-	-	-
<u>\$ 12,837</u>	<u>\$ -</u>	<u>\$ 3,247</u>	<u>\$ 20,987</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Data Control Codes		270 ESEA VI Part B Rural & Low Income	276 Instructional Continuity	277 Coronavirus Relief Fund
	Assets			
1110	Cash and cash equivalents	\$ -	\$ -	\$ -
1240	Receivables from other governments	-	-	-
1260	Due from other funds	-	-	-
1000	Total assets	\$ -	\$ -	\$ -
	Liabilities			
2110	Accounts payable	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	-
2170	Due to other funds	-	-	-
2200	Accrued expenditures	-	-	-
2000	Total liabilities	-	-	-
	Fund balances			
3450	Restricted - grants	-	-	-
3545	Committed - other	-	-	-
3000	Total fund balances	-	-	-
4000	Total liabilities and and fund balances	\$ -	\$ -	\$ -



De Leon Independent School District  
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)  
August 31, 2021

281	282	289	313 SSA IDEA Part B Formula	314 SSA IDEA Part B Preschool	410 State Textbook Fund	461 Campus Activity Funds
ESSER II	ESSER III	Title IV Part A				
\$ 22,233	\$ 23,888	\$ -	\$ -	\$ -	\$ -	\$ 24,999
125	182	-	20,129	37	2,873	-
-	-	-	-	-	-	-
<u>\$ 22,358</u>	<u>\$ 24,070</u>	<u>\$ -</u>	<u>\$ 20,129</u>	<u>\$ 37</u>	<u>\$ 2,873</u>	<u>\$ 24,999</u>
\$ -	\$ -	\$ -	\$ 1,038	\$ -	\$ -	\$ -
21,890	21,654	-	11,082	-	-	-
-	-	-	6,778	37	2,873	-
468	2,416	-	1,231	-	-	-
22,358	24,070	-	20,129	37	2,873	-
-	-	-	-	-	-	-
-	-	-	-	-	-	24,999
-	-	-	-	-	-	24,999
<u>\$ 22,358</u>	<u>\$ 24,070</u>	<u>\$ -</u>	<u>\$ 20,129</u>	<u>\$ 37</u>	<u>\$ 2,873</u>	<u>\$ 24,999</u>

De Leon Independent School District  
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)  
August 31, 2021

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Data Control Codes		Total Nonmajor Governmental Funds
	Assets	
1110	Cash and cash equivalents	\$ 81,168
1240	Receivables from other governments	89,039
1260	Due from other funds	368
1000	Total assets	\$ 170,575
	Liabilities	
2110	Accounts payable	\$ 8,389
2160	Accrued wages payable	92,919
2170	Due to other funds	34,326
2200	Accrued expenditures	7,402
2000	Total liabilities	143,036
	Fund balances	
3450	Restricted - grants	2,540
3545	Committed - other	24,999
3000	Total fund balances	27,539
4000	Total liabilities and and fund balances	\$ 170,575

Data Control Codes	205  Head Start	206 McKinney-Vento Homeless ESSA Title IX Part A	208  Early Head Start
Revenues			
5700	\$ -	\$ -	\$ -
5800	-	-	-
5900	110,244	200	40,576
5020	<u>110,244</u>	<u>200</u>	<u>40,576</u>
Expenditures			
Current			
0011	80,150	200	12,604
0013			
	-	-	-
0023	-	-	-
0031	-	-	-
0032	30,094	-	-
0035	-	-	-
0036	-	-	-
0051	-	-	27,972
0053	-	-	-
Intergovernmental			
0093	-	-	-
6030	<u>110,244</u>	<u>200</u>	<u>40,576</u>
1100	-	-	-
1200	-	-	-
0100	-	-	-
3000	<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)  
Year Ended August 31, 2021

211 ESEA Title I Part A	212 ESEA Title I Part C Migrant	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	266 ESSER I
\$ -	\$ -	\$ -	\$ 2,677	\$ -	\$ -	\$ -
-	-	-	11,808	-	-	-
189,189	767	45,211	412,833	3,774	13,378	4,135
189,189	767	45,211	427,318	3,774	13,378	4,135
189,189	767	45,211	-	3,774	6,883	-
-	-	-	-	-	5,085	-
-	-	-	-	-	757	-
-	-	-	-	-	653	-
-	-	-	424,778	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	4,135
-	-	-	-	-	-	-
189,189	767	45,211	424,778	3,774	13,378	4,135
-	-	-	2,540	-	-	-
-	-	-	2,540	-	-	-
-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ 2,540	\$ -	\$ -	\$ -

Data Control Codes		270 ESEA VI Pt B Rural & Low Income	276 Instructional Continuity	277 Coronavirus Relief Fund
	Revenues			
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	19,227	5,000	16,873
5020	Total revenues	19,227	5,000	16,873
	Expenditures			
	Current			
0011	Instruction	19,227	5,000	-
0013	Curriculum and instructional staff development	-	-	-
0023	School leadership	-	-	-
0031	Guidance, counseling and education	-	-	-
0032	Social work services	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0051	Facilities maintenance and operations	-	-	-
0053	Data processing services	-	-	16,873
	Intergovernmental			
0093	Payments to fiscal agent/member districts of SSA	-	-	-
6030	Total expenditures	19,227	5,000	16,873
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	-
1200	Net change in fund balances	-	-	-
0100	Fund balances, beginning	-	-	-
3000	Fund balances, ending	\$ -	\$ -	\$ -

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, 2021

281	282	289	313	314	410	461
ESSER II	ESSER III	Title IV Part A	SSA IDEA Part B Formula	SSA IDEA Part B Preschool	State Textbook Fund	Campus Activity Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,055
-	-	-	-	-	47,423	-
63,125	225,554	9,718	863,079	39,006	-	-
63,125	225,554	9,718	863,079	39,006	47,423	24,055
63,125	43,674	9,718	383,213	39,006	47,423	-
-	-	-	-	-	-	-
-	65,584	-	241,153	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	18,647
-	42,391	-	-	-	-	-
-	73,905	-	38,713	-	-	-
-	-	-	200,000	-	-	-
63,125	225,554	9,718	863,079	39,006	47,423	18,647
-	-	-	-	-	-	5,408
-	-	-	-	-	-	5,408
-	-	-	-	-	-	19,591
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,999

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, 2021

<u>Data Control Codes</u>		<u>Total Nonmajor Governmental Funds</u>
	Revenues	
5700	Local and intermediate sources	\$ 26,732
5800	State program revenues	59,231
5900	Federal program revenues	<u>2,061,889</u>
5020	Total revenues	<u>2,147,852</u>
	Expenditures	
	Current	
0011	Instruction	949,164
0013	Curriculum and instructional staff development	5,085
0023	School leadership	757
0031	Guidance, counseling and education	307,390
0032	Social work services	30,094
0035	Food services	424,778
0036	Extracurricular activities	18,647
0051	Facilities maintenance and operations	70,363
0053	Data processing services	133,626
	Intergovernmental	
0093	Payments to fiscal agent/member districts of SSA	<u>200,000</u>
6030	Total expenditures	<u>2,139,904</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>7,948</u>
1200	Net change in fund balances	7,948
0100	Fund balances, beginning	<u>19,591</u>
3000	Fund balances, ending	<u><u>\$ 27,539</u></u>



Required TEA Schedules  
August 31, 2021

**De Leon Independent School District**



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Year Ended August 31,	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	1 Maintenance	2 Debt Service	
2012 (and prior years)	\$ Various	\$ Various	\$ Various
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	1.042400	0.112600	233,529,389
2021 (school year under audit)	1.028800	0.016950	246,742,662

1000 TOTALS

De Leon Independent School District  
Schedule of Delinquent Taxes Receivable (Exhibit J-1)  
Year Ended August 31, 2021

10 Beginning Balance 9/1/2020	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2021
\$ 60,865	\$ -	\$ 730	\$ 74	\$ (3,992)	\$ 57,069
10,572	-	114	22	10,573	10,437
10,811	-	324	64	239	10,423
15,262	-	3,286	648	4,450	11,327
15,781	-	2,092	412	519	13,277
15,874	-	2,421	155	24	13,229
19,357	-	3,585	230	4,363	16,422
36,728	-	11,938	1,109	17,263	23,573
80,898	-	35,463	3,831	41,541	38,975
-	2,717,711	2,241,314	372,600	(79,299)	105,396
\$ 266,148	\$ 2,717,711	\$ 2,301,267	\$ 379,145	\$ (4,319)	\$ 300,128

De Leon Independent School District  
 Budgetary Comparison Schedule – Child Nutrition Fund (Exhibit J-2)  
 Year Ended August 31, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
5700	Local and intermediate sources	\$ 61,000	\$ 6,000	\$ 2,677	\$ (3,323)
5800	State program revenues	13,117	13,117	11,808	(1,309)
5900	Federal program revenues	250,000	350,000	412,833	62,833
5020	Total revenues	324,117	369,117	427,318	58,201
Expenditures					
Current					
0035	Food services	386,329	426,329	424,778	1,551
6030	Total expenditures	386,329	426,329	424,778	1,551
1100	Excess (deficiency) of revenues over (under) expenditures	(62,212)	(57,212)	2,540	59,752
Other financing sources (uses)					
7915	Transfers in	62,212	57,212	-	(57,212)
7080	Total other financing sources (uses)	62,212	57,212	-	(57,212)
1200	Net change in fund balances	-	-	2,540	2,540
0100	Fund balances, beginning	-	-	-	-
3000	Fund balances, ending	\$ -	\$ -	\$ 2,540	\$ 2,540

De Leon Independent School District  
 Budgetary Comparison Schedule – Debt Service Fund (Exhibit J-3)  
 Year Ended August 31, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
5700	Local and intermediate sources	\$ 378,527	\$ 381,027	\$ 523,226	\$ 142,199
5800	State program revenues	27,695	53,695	61,990	8,295
5900	Federal program revenues	100,034	100,034	100,034	-
5020	Total revenues	506,256	534,756	685,250	150,494
Expenditures					
Debt service					
0072	Interest on long term debt	519,632	524,632	242,684	281,948
0073	Bond issuance costs and fees	1,500	1,500	1,207	293
6030	Total expenditures	521,132	526,132	243,891	282,241
1100	Excess (deficiency) of revenues over (under) expenditures	(14,876)	8,624	441,359	432,735
1200	Net change in fund balances	(14,876)	8,624	441,359	432,735
0100	Fund balances, beginning	3,426,308	3,426,308	3,426,308	-
3000	Fund balances, ending	\$ 3,411,432	\$ 3,434,932	\$ 3,867,667	\$ 432,735

<u>Data Control Codes</u>		<u>Responses</u>
<u>Section A: Compensatory Education Programs</u>		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 707,707
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 915,959
<u>Section B: Bilingual Education Programs</u>		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 26,267
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 15,165



Federal Awards Section  
August 31, 2021

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***

To the Board of School Trustees of  
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 De Leon Independent School District (the District), as of and for the year ended August 31, 2021, 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 7, 2022.

**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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Abilene, Texas  
January 7, 2022





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

To the Board of School Trustees of  
De Leon Independent School District  
De Leon, Texas

**Report on Compliance for Each 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 each of the District’s major federal programs for the year ended August 31, 2021. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

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

**Auditor’s Responsibility**

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

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

**Opinion on Each 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 each of its major federal programs for the year ended August 31, 2021.

### **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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 7, 2022

De Leon Independent School District  
Schedule of Expenditures of Federal Awards (Exhibit K-1)  
Year Ended August 31, 2021

(1)	(2)	(3)	(4)
Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed - through Texas Education Agency			
ESEA, Title VI, Part B - Rural and Low Income Program	84.358	2169601047902	\$ 13,959
ESEA, Title VI, Part B - Rural and Low Income Program	84.358	2069601047902	<u>5,268</u>
Total ALN 84.358			19,227
ESEA Title I, Part A - Improving Basic Programs	84.010	21610101047902	166,362
ESEA Title I, Part A - Improving Basic Programs	84.010	20610101047902	<u>22,827</u>
Total ALN 84.010			189,189
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	20521001047902	4,135
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	21521001047902	73,231
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425U	21528001047902	<u>261,706</u>
Total ALN 84.425			339,072
Instructional Continuity	84.377A	17610740047902	5,000
SSA - IDEA - Part B, Formula*	84.027	216600010479026000	496,840
SSA - IDEA - Part B, Formula*	84.027	206600010479026000	<u>411,450</u>
Total ALN 84.027			908,290
SSA - IDEA B Preschool*	84.173	216610010479026000	16,101
SSA - IDEA B Preschool*	84.173	206610010479026000	<u>22,905</u>
Total ALN 84.173			39,006
Passed through ESC Region 14:			
ESSA Title IX, Part A - McKinney-Vento Homeless	84.196	214600057110028	200
ESEA Title I, Part C - Migrant	84.011	21615001221950	767
ESEA Title I, Part C - Carl Perkins	84.048	21420006221950	3,774

De Leon Independent School District  
Schedule of Expenditures of Federal Awards (Exhibit K-1)  
Year Ended August 31, 2021

(1) Federal Grantor/Pass Through Grantor/ Program or Cluster Title	(2) Federal Financial Assistance Listing Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
ESEA Title II, Part A - Teacher and Principal Training	84.367	21694501221950	\$ 13,378
Title IV, Part A Student Support and Academic Enrichment	84.424A	21680101221950	9,718
Total Passed Through ESC Region 14			<u>27,837</u>
Total U.S. Department of Education			<u>1,544,494</u>
U.S. Department of Treasury COVID-19 Coronavirus Relief Fund	21.019	047-902	<u>16,873</u>
Total U.S. Department of Treasury			<u>16,873</u>
Total Passed Through Texas Education Agency			<u>1,516,657</u>
U.S. Department of Health and Human Services Passed through ESC Region 14:			
Head Start	93.600	06CH7152/06	110,244
Early Head Start	93.600	06HP00297-02-00	<u>40,576</u>
Total ALN 93.600 - Head Start Cluster			<u>150,820</u>
Total Passed Through ESC Region 14			<u>150,820</u>
Total Department of Health and Human Services			<u>150,820</u>
U.S. Department of Agriculture			
Passed through Texas Education Agency			
Child Nutrition Cluster			
School Breakfast Program	10.553	71402001	64,869
National School Lunch Program - cash assistance**	10.555	71302001	<u>304,561</u>
Total Passed Through Texas Education Agency			<u>369,430</u>
Passed through the Texas Department of Agriculture			
National School Lunch Program - noncash assistance**	10.555	N/A	25,997
COVID-19 Emergency Operational Cost Reimbursement**	10.555	00217	<u>17,406</u>
Total passed through Texas Department of Agriculture			<u>43,403</u>
Total Child Nutrition Cluster			<u>412,833</u>
Total Department of Agriculture			<u>412,833</u>
Total Federal Financial Assistance			<u>\$ 2,108,147</u>
*Total Special Education Cluster			\$ 947,296
**Total National School Lunch Program (ALN 10.555)			347,964

**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, 2021. 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	\$	2,108,147
Medical reimbursements (SHARS)		241,981
Qualified School Construction Bond interest subsidy		<u>100,034</u>
 Total Federal Program Revenues - Exhibit C-2	 \$	 <u><u>2,450,162</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? None reported

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:

<u>Name of Federal Program</u>	<u>Federal Financial Assistance Listing Number</u>
Child Nutrition Cluster	10.553; 10.555
COVID-19 Elementary and Secondary School Emergency Relief	84.425D; 84.425U
Dollar threshold used to distinguish between type A and type B federal programs	\$750,000
Auditee qualified as a low-risk auditee?	Yes

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**Section II – Financial Statement Findings**

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The audit disclosed no findings required to be reported.

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**Section III – Federal Award Findings and Questioned Costs**

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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, 2021

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<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.	\$ -