

CHINA SPRING INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2021**



CHINA SPRING INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

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CERTIFICATE OF BOARD

China Spring Independent School District
Name of School District

McLennan
County

161920
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ___X_ approved _____ disapproved for the year ended June 30, 2021, at a meeting of the Board of Trustees of such school district on the 18th day of October 2021.

Holly Dunham

Signature of Board Secretary

Rick Hines

Signature of Board President

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

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees of
China Spring Independent School District
China Spring, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of China Spring Independent School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise China Spring Independent School 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 China Spring Independent School District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As described in the notes to the financial statements, in fiscal year 2021 the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is 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 and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 China Spring Independent School District's basic financial statements. The combining statements, required TEA schedules and the Schedule of Expenditures of Federal Awards, 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), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements, required TEA schedules, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates 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 statements, required TEA schedules and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

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

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

Waco, Texas
October 13, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of China Spring Independent School District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2021. Please read it in conjunction with the District's financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$22,784,916 (*net position*). Of this amount, (\$4,819,033) (*unrestricted net position*) may be used to meet the District's ongoing obligations to students and creditors.
- The District's total net position increased by \$2,505,745.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$15,103,861, an decrease of \$472,158 in comparison with the prior year. This change was primarily due to capital project expenditures not yet funded by bond proceeds issued in the subsequent year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,912,280, or 31% of total General Fund expenditures, a decrease of \$1,986,860 or 20%, from the prior year. Total fund balance increased in the General Fund by \$1,513,140 or 19%. The decrease in unassigned fund balance is due to a commitment of \$3.5 million of fund balance in the General Fund for construction projects.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 10 and 11). These provide information about the activities of the District as a whole and present a long-term view of the District's property and obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 12) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the government.

The notes to the financial statements (starting on page 20) provide narrative explanations or additional data needed for full disclosure in the government-wide statements of the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 10. Its primary objective is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows/inflows of resources and liabilities while the Statement of Activities includes all the revenue and expenses generated by the District's operations during the year. These apply the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The District's revenue is divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the District and grants provided by the U. S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenue), and general revenue provided by the taxpayers or by TEA in equalization funding processes (general revenue). All of the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets, deferred outflows/inflows of resources and liabilities) provide one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District has one kind of activity:

Governmental Activities – The District's services are reported here, including instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The Fund financial statements begin on page 12 and provide detailed information about the most significant funds – not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under ESEA Title I from the U. S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes. The District has only governmental type funds.

Governmental Funds – The District reports its services in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and they report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. The differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds can be found in reconciliation schedules following each of the governmental fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position on page 16. We exclude these resources from the District's other financial statements because the District cannot use them to support its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental activities.

Net position of the District's governmental activities as of June 30, 2021 is \$22,784,916, an increase of \$2,505,745, or 12.6%, from prior year. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was (\$4,819,033) at June 30, 2021.

TABLE 1

CHINA SPRING INDEPENDENT SCHOOL DISTRICT

NET POSITION

	Governmental Activities	
	2021	2020
Current and other assets	\$ 19,178,822	\$ 18,749,032
Capital assets	<u>55,291,647</u>	<u>54,691,769</u>
Total assets	<u>74,470,469</u>	<u>73,440,801</u>
Total deferred outflows of resources	<u>7,323,480</u>	<u>6,236,791</u>
Long-term liabilities	48,744,000	51,506,505
Other liabilities	<u>3,997,299</u>	<u>3,339,196</u>
Total liabilities	<u>52,741,299</u>	<u>54,845,701</u>
Total deferred inflows of resources	<u>6,267,734</u>	<u>4,592,615</u>
Net position:		
Net investment in capital assets	22,288,982	18,958,169
Restricted	5,314,967	4,978,682
Unrestricted	<u>(4,819,033)</u>	<u>(3,697,575)</u>
Total net position	\$ <u><u>22,784,916</u></u>	\$ <u><u>20,239,276</u></u>

TABLE 2

CHINA SPRING INDEPENDENT SCHOOL DISTRICT

CHANGES IN NET POSITION

	Governmental Activities	
	2021	2020
REVENUES		
Program revenues:		
Charges for services	\$ 1,055,745	\$ 927,581
Operating grants and contributions	4,264,588	4,379,066
General revenues:		
Maintenance and operations taxes	10,389,303	9,887,652
Debt service taxes	3,606,711	3,297,520
Grants and contributions not restricted	15,079,226	14,629,366
Investment earnings	58,238	272,895
Miscellaneous	26,628	42,081
Total revenues	<u>34,480,439</u>	<u>33,436,161</u>
EXPENSES		
Instruction	18,394,640	18,219,954
Instructional resources and media services	235,808	234,274
Curriculum and staff development	408,378	389,538
Instructional leadership	417,075	440,724
School leadership	1,659,127	1,564,040
Guidance, counseling and evaluation services	1,099,863	1,199,182
Social work services	54,641	77,682
Health services	283,326	312,892
Student (pupil) transportation	1,106,966	1,130,041
Food services	1,225,601	1,234,906
Co-curricular/extracurricular activities	1,676,876	1,587,613
General administration	1,061,687	1,078,937
Plant maintenance and operations	3,119,400	2,894,218
Security and monitoring services	242,895	230,758
Data processing services	70,814	69,275
Debt service - interest on long-term debt	529,178	1,363,494
Debt service - bond issuance cost and fees	244,628	4,100
Other governmental charges	<u>143,791</u>	<u>144,127</u>
Total expenses	<u>31,974,694</u>	<u>32,175,755</u>
INCREASE IN NET POSITION	2,505,745	1,260,406
NET POSITION, BEGINNING	<u>20,239,276</u>	<u>18,978,870</u>
PRIOR PERIOD ADJUSTMENT	<u>39,895</u>	<u>-</u>
NET POSITION, ENDING	<u>\$ 22,784,916</u>	<u>\$ 20,239,276</u>

The cost of all governmental activities this year was \$31,974,694. However, the amount that the taxpayers ultimately financed for these activities through District taxes was \$11,575,135 because some of the cost was paid by those who directly benefited from the programs \$1,055,745, by other governments and organizations that subsidized certain programs with operating grants and contributions \$4,264,588, or by other grants and contributions not restricted \$15,079,226.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$15,103,861, which is less than last year's total of \$15,536,124. Total governmental revenue increased in fiscal year 2021 by \$1,434,792. This increase in revenue is the result of increases in local, state, and federal revenues.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, total General fund balance was \$11,412,280, \$3.5 million of which was committed for construction projects. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund expenditures. Unassigned General fund balance represents 31% of total General fund expenditures.

The fund balance of the District's General Fund increased \$1,513,140 during the current year. Key factors in this increase can be attributed to increase in property tax and state program revenues.

The Debt Service Fund has a total fund balance of \$5,610,108, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service Fund was \$191,428, which was due to an increase in property tax revenue as a result of higher assessed values.

During the year, the Board of Trustees amended the District's budget as needed. Changes in appropriations were made to recognize board approved purchasing actions and to allow the district to appropriately code financial transactions by fund and function.

The District's General Fund balance of \$11,412,280 reported on pages 15 and 42 differs from the General Fund's final budgetary fund balance of \$9,899,140. This is principally due to the adoption of a balanced budget. The District also budgets conservatively for revenues due to uncertainty of funds to be received from TEA in current and future years.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the District had approximately \$55.3 million invested in a broad range of capital assets, including instructional facilities and equipment, transportation facilities and equipment, athletic facilities, and administrative and maintenance buildings and equipment. More detailed information about the District's capital assets is presented on page 27 in the notes to the financial statements.

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

- The beginning of bond-funded construction of a new campus of \$2.2 million.
- The purchase of new school buses for a total of \$148,646.
- Improvements to baseball and softball fields for \$92,455.

Debt

The State of Texas backs the District's bonds with its "AAA/stable" rating. This bond rating helps the District by reducing the costs of any debt issued.

At year-end, the District had \$35.5 million in long-term debt outstanding as of June 30, 2021. During the current year, the District made annual debt service payments to reduce bonds and tax notes in the amount of \$2,325,000. More detailed information about the District's long-term debt is presented on pages 28-30 in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2022 budget and tax rates. These factors included, but were not limited to, the state foundation school program formula, property values, student growth and anticipated district needs. The District also has received approximately \$2.1 million in COVID-19 related ESSER grant funding for 2022-2024 from the federal government through TEA, which allowed the District to rearrange spending in other District funds.

The District also considered the other effects of the ongoing COVID-19 pandemic. Although the pandemic has resulted in an economic downturn and presents significant future uncertainty, the District's property tax revenues were not significantly affected, as collection rates during the 20-21 school year remained consistent with prior experience. The District's Average Daily Attendance(ADA) decreased during 20-21 due to COVID-19 related absenteeism, but the District was able to avoid a loss of state funding due to the fact that TEA paid the District on a "Hold Harmless" ADA (districts were paid at a pre-COVID level of ADA so that they were not penalized by the absenteeism caused by the pandemic).

Assessed property values in the District increased by approximately 9.5%. Because of the district's tax growth, the legislature further compressed the District's M&O tax rate for 2022 from \$.9333 to .8720 cents due to the changes in HB 3. The District passed a \$57 million bond in May 2021 to fund a new Elementary school, new Agricultural Sciences/Industrial Trades Metal & Wood Fabrication shops, new gym, and other modifications to the Career and Tech/Science areas of the High School. Even with this new bond, because of the increase in property values, the debt rate only increased by approximately 7 cents, from .324116 to .39376. With these changes in rates, the District's total tax rate increased on an overall basis by approximately one cent from \$1.257416 (.9333 M&O plus .324116 I&S) in FY 2021 to \$1.26576 (.8720 M&O plus .39376 I&S) for FY 2022.

Another factor affected by China Spring's increased assessed property values is their "local fund assignment", which is a number that TEA uses to reduce the amount of state funding they pay to a District based on their property tax base. Because China Spring's property tax growth continues to exceed the rate of growth for the state, the local fund assignment has again increased for FY 22.

Overall, budgeted revenue and expenditures for the General Fund were flat, due to uncertain ADA for the next school year and the ESSER funding the District projects to receive over the next 3 years. Because TEA is reducing FSP payments for 2021-22 by the amount of the Hold Harmless payments made in 2020-2021, some of these ESSER funds are allowed to supplant current general fund expenditures, which allowed the District to shift some expenditures to grants to allow the District to present a flat budget. The projected budget included raises for staff of approximately 3 % and kept other expenditures flat for the 2021-22 school year.

With all the above changes, the District presented a balanced General Fund Budget for current year expenditures. If the District estimates for revenues and expenditures are realized, the District budgetary General Fund balance is expected to remain steady at the close of 2022. More importantly, this will have been accomplished in spite of uncertainties related to the pandemic and unfunded state and federal mandates.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Administration office, at P. O. Box 250, China Spring, Texas 76633.

BASIC FINANCIAL STATEMENTS

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CHINA SPRING INDEPENDENT SCHOOL DISTRICT

EXHIBIT A-1

STATEMENT OF NET POSITION

JUNE 30, 2021

<u>Data Control Codes</u>	1 <u>Primary Government Governmental Activities</u>
ASSETS	
1110 Cash and cash equivalents	\$ 14,601,473
1220 Delinquent property taxes receivables	547,923
1230 Allowance for uncollectible taxes	(203,094)
1240 Due from other governments	3,984,007
1290 Other receivables	248,513
Capital assets:	
1510 Land	2,000,222
1520 Buildings and improvements, net	50,466,778
1530 Furniture and equipment, net	637,578
1580 Construction in progress	2,187,069
1000 Total assets	<u>74,470,469</u>
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred loss on bond refunding	2,456,476
1705 Deferred outflow related to pensions	2,490,067
1706 Deferred outflow related to other post-employment benefits	2,376,937
1700 Total deferred outflows of resources	<u>7,323,480</u>
LIABILITIES	
2110 Accounts payable	912,866
2140 Interest payable	394,901
2150 Payroll deductions and withholdings	183,839
2160 Accrued wages	2,280,355
2180 Due to other governments	5,127
2200 Accrued expenses	173,590
2300 Unearned revenue	46,621
Noncurrent liabilities:	
2501 Due within one year	1,790,134
2502 Due in more than one year	33,691,988
2540 Net pension liability (proportionate share)	6,113,355
2545 Net other post-employment benefit liability (proportionate share)	7,148,523
2000 Total liabilities	<u>52,741,299</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred inflow related to pensions	1,033,183
2606 Deferred inflow related to other post-employment benefits	5,234,551
2600 Total deferred inflows of resources	<u>6,267,734</u>
NET POSITION	
3200 Net investment in capital assets	22,288,982
Restricted for:	
3850 Debt service	5,314,967
3900 Unrestricted	(4,819,033)
3000 Total net position	<u>\$ 22,784,916</u>

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

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CHINA SPRING INDEPENDENT SCHOOL DISTRICT

EXHIBIT B-1

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expenses)
			3 Charges for Services	4 Operating Grants and Contributions	Revenue and Changes in Net Position 6 Governmental Activities
Primary government:					
Governmental activities:					
11	Instruction	\$ 18,394,640	\$ -	\$ 2,691,048	\$(15,703,592)
12	Instructional resources and media services	235,808	-	14,863	(220,945)
13	Curriculum and staff development	408,378	-	128,233	(280,145)
21	Instructional leadership	417,075	-	29,096	(387,979)
23	School leadership	1,659,127	-	127,860	(1,531,267)
31	Guidance, counseling, and evaluation services	1,099,863	-	168,841	(931,022)
32	Social work services	54,641	-	4,672	(49,969)
33	Health services	283,326	-	20,153	(263,173)
34	Student transportation	1,106,966	-	61,116	(1,045,850)
35	Food service	1,225,601	545,250	600,081	(80,270)
36	Extracurricular activities	1,676,876	510,495	43,768	(1,122,613)
41	General administration	1,061,687	-	57,478	(1,004,209)
51	Facilities maintenance and operations	3,119,400	-	225,614	(2,893,786)
52	Security and monitoring services	242,895	-	20,396	(222,499)
53	Data processing services	70,814	-	-	(70,814)
72	Interest on long-term debt	529,178	-	71,369	(457,809)
73	Bond issuance costs and fees	244,628	-	-	(244,628)
99	Other governmental changes	143,791	-	-	(143,791)
TG	Total governmental activities	\$ <u>31,974,694</u>	\$ <u>1,055,745</u>	\$ <u>4,264,588</u>	<u>(26,654,361)</u>
General revenues:					
Taxes:					
MT	Property taxes, levied for general purposes				10,389,303
DT	Property taxes, levied for debt service				3,606,711
GC	Grants and contributions not restricted				15,079,226
IE	Investment earnings				58,238
MI	Miscellaneous				26,628
TR	Total general revenues				<u>29,160,106</u>
CN	Change in net position				2,505,745
NB	Net position--beginning				<u>20,239,276</u>
PA	Prior period adjustment				<u>39,895</u>
NE	Net position--ending				<u>\$ 22,784,916</u>

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

CHINA SPRING INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2021

Data Control Codes	10	50	60	
<u>Codes</u>	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
ASSETS				
1110	Cash and cash equivalents	\$ 8,678,628	\$ 5,584,265	\$ -
1220	Delinquent property taxes receivable	408,747	139,176	-
1230	Allowance for uncollectible taxes	(151,507)	(51,587)	-
1240	Due from other governments	3,820,513	-	-
1260	Due from other funds	1,456,442	-	-
1290	Other receivables	205,373	43,140	-
1000	Total assets	<u>14,418,196</u>	<u>5,714,994</u>	<u>-</u>
LIABILITIES				
2110	Accounts payable	152,959	-	759,907
2150	Payroll deductions and withholdings	183,839	-	-
2160	Accrued wages	2,134,179	-	-
2170	Due to other funds	-	-	1,427,162
2180	Due to other governments	-	5,127	-
2200	Accrued expenditures	149,530	-	-
2300	Unearned revenue	12,605	-	-
2000	Total liabilities	<u>2,633,112</u>	<u>5,127</u>	<u>2,187,069</u>
DEFERRED INFLOWS OF RESOURCES				
2610	Unavailable revenue	372,804	99,759	-
2600	Total deferred inflows of resources	<u>372,804</u>	<u>99,759</u>	<u>-</u>
FUND BALANCES				
Restricted:				
3480	Debt service	-	5,610,108	-
Committed:				
3510	Construction	3,500,000	-	-
3545	Campus activity	-	-	-
3600	Unassigned	7,912,280	-	(2,187,069)
3000	Total fund balances	<u>11,412,280</u>	<u>5,610,108</u>	<u>(2,187,069)</u>
4000	Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,418,196</u>	<u>\$ 5,714,994</u>	<u>\$ -</u>

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

<u>Other Governmental</u>	<u>98 Total Governmental Funds</u>
\$ 338,580	\$ 14,601,473
-	547,923
-	(203,094)
163,494	3,984,007
-	1,456,442
-	248,513
<u>502,074</u>	<u>20,635,264</u>
-	912,866
-	183,839
146,176	2,280,355
29,280	1,456,442
-	5,127
24,060	173,590
<u>34,016</u>	<u>46,621</u>
<u>233,532</u>	<u>5,058,840</u>
-	<u>472,563</u>
<u>-</u>	<u>472,563</u>
-	5,610,108
-	3,500,000
268,542	268,542
-	5,725,211
<u>268,542</u>	<u>15,103,861</u>
\$ <u>502,074</u>	\$ <u>20,635,264</u>

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CHINA SPRING INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-2

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

JUNE 30, 2021

Total fund balances - governmental funds	\$	15,103,861
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		55,291,647
Uncollected property taxes are reported as unavailable resources in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.		397,700
Uncollected SHARS settlements are reported as unavailable resources in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.		74,863
Long-term liabilities, including compensated absences, bonds and tax notes payable, are not due and payable in the current period and therefore are not reported in the funds. Also, the loss on refunding of bonds and the premium on issuance of bonds payable are not reported in the funds.	(33,025,646)
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(394,901)
Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability. The net position related to pensions included a deferred resource outflow in the amount of \$2,490,067, a deferred resource inflow in the amount of \$1,033,183, and a net pension liability in the amount of \$6,113,355.	(4,656,471)
Included in the items related to debt is the recognition of the District's proportionate share of the net other post-employment benefit (OPEB) liability. The net position related to the OPEB included a deferred resource outflow in the amount of \$2,376,937, a deferred resource inflow in the amount of \$5,234,551, and a net OPEB liability in the amount of \$7,148,523.	(<u>10,006,137</u>)
Net position of governmental activities	\$	<u>22,784,916</u>

CHINA SPRING INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	10	50	60
	General	Debt Service	Capital Projects
REVENUES			
5700 Local and intermediate sources	\$ 10,630,321	\$ 3,610,700	\$ -
5800 State programs	16,417,950	71,369	-
5900 Federal programs	<u>100,409</u>	<u>-</u>	<u>-</u>
5020 Total revenues	<u>27,148,680</u>	<u>3,682,069</u>	<u>-</u>
EXPENDITURES			
Current:			
0011 Instruction	15,469,385	-	-
0012 Instructional resources and media services	199,205	-	-
0013 Curriculum and staff development	280,691	-	-
0021 Instructional leadership	395,424	-	-
0023 School leadership	1,522,582	-	-
0031 Guidance, counseling, and evaluation services	951,855	-	-
0032 Social work services	52,153	-	-
0033 Health services	257,135	-	-
0034 Student transportation	956,430	-	-
0035 Food service	-	-	-
0036 Extracurricular activities	1,019,079	-	-
0041 General administration	938,223	-	-
0051 Facilities maintenance and operations	2,905,387	-	-
0052 Security and monitoring services	242,892	-	-
0053 Data processing services	70,814	-	-
Debt service:			
0071 Principal on long-term debt	125,000	2,200,000	-
0072 Interest on long-term debt	8,572	977,283	-
0073 Bond issuance costs and fees	-	244,628	-
0081 Capital outlay	92,455	-	2,187,069
Intergovernmental:			
0099 Other intergovernmental charges	<u>143,791</u>	<u>-</u>	<u>-</u>
6030 Total expenditures	<u>25,631,073</u>	<u>3,421,911</u>	<u>2,187,069</u>
1100 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,517,607</u>	<u>260,158</u>	<u>(2,187,069)</u>
OTHER FINANCING SOURCES (USES)			
7911 Refunding bonds issued	-	13,384,986	-
7916 Premium on bonds	-	1,524,024	-
7915 Transfers in	-	-	-
8911 Transfers out	(4,467)	-	-
8949 Payment to escrow agent	-	(14,977,740)	-
7080 Total other financing sources (uses)	<u>(4,467)</u>	<u>(68,730)</u>	<u>-</u>
1200 NET CHANGE IN FUND BALANCES	<u>1,513,140</u>	<u>191,428</u>	<u>(2,187,069)</u>
0100 FUND BALANCES, BEGINNING	9,899,140	5,418,680	-
1300 PRIOR PERIOD ADJUSTMENTS	-	-	-
3000 FUND BALANCES, ENDING	<u>\$ 11,412,280</u>	<u>\$ 5,610,108</u>	<u>\$(2,187,069)</u>

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

Other Governmental	98 Total Governmental Funds
\$ 948,349	\$ 15,189,370
478,175	16,967,494
<u>1,663,248</u>	<u>1,763,657</u>
<u>3,089,772</u>	<u>33,920,521</u>
1,256,726	16,726,111
-	199,205
107,931	388,622
-	395,424
2,433	1,525,015
71,998	1,023,853
-	52,153
-	257,135
-	956,430
1,141,590	1,141,590
390,971	1,410,050
-	938,223
112,247	3,017,634
-	242,892
-	70,814
-	2,325,000
-	985,855
-	244,628
-	2,279,524
-	<u>143,791</u>
<u>3,083,896</u>	<u>34,323,949</u>
<u>5,876</u>	<u>(403,428)</u>
-	13,384,986
-	1,524,024
4,467	4,467
-	(4,467)
-	<u>(14,977,740)</u>
<u>4,467</u>	<u>(68,730)</u>
<u>10,343</u>	<u>(472,158)</u>
218,304	15,536,124
<u>39,895</u>	<u>39,895</u>
<u>\$ 268,542</u>	<u>\$ 15,103,861</u>

CHINA SPRING INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-4

RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds	\$(472,158)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	599,878
Property tax and SHARS settlement revenues that do not provide current financial resources are not reported as revenues in the funds.	64,219
Bond and tax note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and tax note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds.	2,371,274
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	478,580
GASB 68 Required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$436,305. Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling \$399,725. Finally, the proportionate share of pension expense on the plans as a whole had to be recorded. The net pension expense decreased the change in net position by \$617,975.	(581,395)
GASB 75 Required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$124,476. Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling \$120,379. Finally, the proportionate share of OPEB expense on the plans as a whole had to be recorded. The net OPEB expense increased the change in net position by \$41,250.	<u>45,347</u>
Change in net position of governmental activities	<u>\$ 2,505,745</u>

CHINA SPRING INDEPENDENT SCHOOL DISTRICT

EXHIBIT E-1

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2021

	<u>Custodial Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>26,035</u>
Total assets	<u>26,035</u>
NET POSITION	
Restricted for student groups	<u>26,035</u>
Total net position	<u>\$ 26,035</u>

CHINA SPRING INDEPENDENT SCHOOL DISTRICT

EXHIBIT E-2

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Custodial Fund</u>
ADDITIONS	
Collections from student groups	\$ <u>46,168</u>
Total additions	<u>46,168</u>
DEDUCTIONS	
Payments on-behalf of student groups	<u>56,038</u>
Total deductions	<u>56,038</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	(9,870)
NET POSITION, BEGINNING	<u>-</u>
PRIOR PERIOD ADJUSTMENT	<u>35,905</u>
NET POSITION, ENDING	\$ <u>26,035</u>

CHINA SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

China Spring Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its financial statements in conformity with generally accepted accounting principles and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide").

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board. There are no component units included within the reporting entity.

The China Spring Education Foundation (the "Foundation"), a not-for-profit entity, was organized to provide scholarship funds, is a "related organization" of the District.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are supported by taxes, state foundation funds and intergovernmental revenue.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The government-wide financial and fiduciary statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is 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 revenue 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*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collectible 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 services expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources.

Property taxes, state foundation funds, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Entitlements are recorded as revenue when all eligibility requirements are met, including any time requirements, and the amount received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Debt Service Fund** accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The **Capital Projects Fund** accounts for the resources accumulated and expenditures made on the District's major capital projects.

Additionally, the District reports the following fund type:

The **Custodial Fund** accounts for resources held on behalf of student groups.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in the governmental activities are eliminated.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

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

1. 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 for the District are reported at fair value, except for the position in investment pools. The District's investments in Pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

Lone Star, LOGIC, Texas Term/Texas Daily and Texas Class have a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

2. Receivables and Payables

Activity between funds that is 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). All other outstanding balances between funds are reported as "due to/from other funds." All interfund transactions between governmental funds are eliminated on the government-wide financial statements.

The property tax receivable allowance is equal to 37% of outstanding property taxes at June 30, 2021.

3. Capital Assets

Capital assets, which include land, buildings, furniture and equipment, are reported in the governmental activities column in the financial statements. Capital assets are defined by the government 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, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	20-50
Portable buildings	20
Vehicles	5
Furniture and equipment	5-10

4. Compensated Absences

The District's policy states that employees hired on a 12-month contract shall earn 12 days of vacation leave per year in accordance with administrative regulations. Vacation leave shall accrue at the rate of one day per month, beginning on July 1 and ending on June 30. Employees hired on July 1, 2012 and thereafter shall be permitted to accrue a maximum of 24 days. If the employee separates from the District, the employee shall be paid at his or her daily rate up to a maximum of ten days. Employees hired prior to July 1, 2012 that exceed the 24-day maximum accrual rate, shall not exceed that accrual amount. If the employee separates from the District, the employee shall be paid at his or her daily rate up to a maximum of 20 days.

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

6. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are a deferred charge on refunding and deferred outflow related to TRS reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The item related to TRS represents the District's share of the unrecognized plan deferred outflow of resources which TRS uses in calculating the ending net pension and other post-employment benefit (OPEB) liabilities.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of inflows that qualify for reporting in this category. The governmental funds report unavailable revenues from two sources: property taxes and School Health and Related Services (SHARS). These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also recognizes their share of the unrecognized TRS plan deferred inflows of resources which TRS uses in calculating the ending net pension and OPEB liabilities. These items are reported in the government-wide statement of net position.

7. *Pensions*

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

8. *Other Post-Employment Benefits*

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

9. *Net Position*

Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

10. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond and grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered applied. It is the District’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

11. Fund Balance Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

12. Fund Balance Policies

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

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

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

13. Program Revenue

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

14. Property Taxes

Property taxes are levied as of October 1 on property values assessed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the following year. On January 31 of each year, a tax lien attaches to property to secure payment of all taxes, penalties, and interest ultimately imposed.

15. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency ("TEA") in the *Financial Accountability System Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide data base, policy development and funding plans.

16. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimates as of June 30, 2021, will change.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit fund equity

The District reported a deficit fund balance of \$2,187,069 in the Capital Projects Fund. This was due to bond-funded expenditures being made in the current year before the District issued capital improvement bonds in the subsequent year. The deficit fund balance was funded with bonds issued in August 2021.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Interest Rate Risk

As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than one year from the purchase date. As of June 30, 2021, the District managed its interest rate risk as follows:

<u>Investment Type</u>	<u>Net Asset Value</u>	<u>Weighted Average Maturity (Days)</u>
Lone Star	\$ 2,182,353	73
LOGIC	603,644	53
Texas Term/Texas Daily	502,017	74
Texas CLASS	1,336,810	52

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2021, the District’s deposit balance was collateralized with securities held by the pledging financial institution in the District’s name or covered by FDIC insurance.

Investment Credit Risk

It is the District’s policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The District’s investment pools are rated as follows by Standard and Poor’s Investors Service.

Lone Star	AAAf/S1+
LOGIC	AAAm
Texas Term/Texas Daily	AAAf/AAAkf
Texas CLASS	AAAm

Public Funds Investment Pools

Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one-half of one percent of the value of its shares.

B. 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 local, federal and state governments as of June 30, 2021, are summarized below.

	<u>Grants</u>	<u>State Entitlements</u>
General fund	\$ -	\$ 3,820,513
Nonmajor governmental funds	<u>163,494</u>	<u>-</u>
	<u>\$ 163,494</u>	<u>\$ 3,820,513</u>

C. Interfund Balances

The composition of interfund balances as of June 30, 2021, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Capital projects	\$ 1,427,162
General fund	Nonmajor governmental	<u>29,280</u>
		<u>\$ 1,456,442</u>

Balances due from nonmajor governmental funds resulted from the lag between the dates that payments for expenditures are made and the date a granting agency reimbursed the District.

Balance due from capital projects fund resulted from the lag between the capital project expenditures made before bonds were issued in August 2021.

D. Other Receivables

Other receivables consisted of the following balances as of June 30, 2021:

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Property tax penalties and interest	\$ 207,377	\$ 68,549	\$ 275,926
SHARS	74,863	-	74,863
Allowance for uncollectibles	<u>(76,867)</u>	<u>(25,409)</u>	<u>(102,276)</u>
Total, net	<u>\$ 205,373</u>	<u>\$ 43,140</u>	<u>\$ 248,513</u>

Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	<u>Beginning Balance 6/30/2020</u>	<u>Increases/ Reclassifications</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balance 6/30/2021</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,000,222	\$ -	\$ -	\$ 2,000,222
Construction in progress	<u>-</u>	<u>2,187,069</u>	<u>-</u>	<u>2,187,069</u>
Total capital assets, not being depreciated	<u>2,000,222</u>	<u>2,187,069</u>	<u>-</u>	<u>4,187,291</u>
Capital assets, being depreciated:				
Buildings and improvements	73,653,576	170,068	-	73,823,644
Furniture and equipment	<u>4,404,697</u>	<u>183,268</u>	<u>-</u>	<u>4,587,965</u>
Total capital assets, being depreciated	<u>78,058,273</u>	<u>353,336</u>	<u>-</u>	<u>78,411,609</u>
Less accumulated depreciation for:				
Buildings and improvements	(21,759,629)	(1,597,237)	-	(23,356,866)
Furniture and equipment	<u>(3,607,097)</u>	<u>(343,290)</u>	<u>-</u>	<u>(3,950,387)</u>
Total accumulated depreciation	<u>(25,366,726)</u>	<u>(1,940,527)</u>	<u>-</u>	<u>(27,307,253)</u>
Total capital assets, being depreciated, net	<u>52,691,547</u>	<u>(1,587,191)</u>	<u>-</u>	<u>51,104,356</u>
Total capital assets, net	<u>\$ 54,691,769</u>	<u>\$ 599,878</u>	<u>\$ -</u>	<u>\$ 55,291,647</u>

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

Governmental activities:

Instruction	\$ 968,484
Instructional resources media services	29,033
Curriculum and staff development	2,370
Instructional leadership	2,370
School leadership	69,031
Guidance counseling and evaluation services	29,033
Health services	15,702
Student pupil transportation	275,976
Food services	57,034
Co-curricular/extracurricular	240,536
General administration	84,354
Plant maintenance and operations	154,727
Security and monitoring services	<u>11,877</u>
 Total depreciation expense - governmental activities	 <u>\$ 1,940,527</u>

E. Deferred Inflows of Resources – Unavailable Revenue

At year-end the District reported deferred inflows for the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Unavailable - property taxes	\$ 297,941	\$ 99,759	\$ 397,700
Unavailable - SHARS	<u>74,863</u>	<u>-</u>	<u>74,863</u>
Totals	<u>\$ 372,804</u>	<u>\$ 99,759</u>	<u>\$ 472,563</u>

F. Long-term Debt

Governmental long-term debt activity for the year ended June 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Refundings</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:						
Bonds payable	\$ 34,245,000	\$ 13,384,986	\$ 2,200,000	\$ 13,385,000	\$ 32,044,986	\$ 1,705,000
Accreted interest on CAB's	-	22,442	-	-	22,442	-
Premium on CAB's	-	1,145,617	-	-	1,145,617	-
Premium on bonds	2,222,256	378,407	702,258	-	1,898,405	-
Tax notes	370,000	-	125,000	-	245,000	60,000
Compensated absences	<u>125,133</u>	<u>87,471</u>	<u>86,932</u>	<u>-</u>	<u>125,672</u>	<u>25,134</u>
Total	<u>\$ 36,962,389</u>	<u>\$ 15,018,923</u>	<u>\$ 3,114,190</u>	<u>\$ 13,385,000</u>	<u>\$ 35,482,122</u>	<u>\$ 1,790,134</u>

In July 2020, the District issued Unlimited Tax Refunding Bonds, Taxable Series 2020 in the amount of \$13,384,986, for the purpose of refunding a portion of existing bonds at a present value savings. The issuance includes \$13,035,000 of current interest bonds with interest rates ranging from 1.834% to 5% and \$349,986 of capital appreciation bonds (CABs) with interest rates ranging from 2.634% and 2.684%. Beginning in FY21, the CABs will accrete interest annually to the final maturity value of \$2,140,000, to be redeemed in 2033 and 2034. The proceeds were used to advance refund \$13,385,000 of Unlimited Tax School Building Bonds, Series 2013 that had interest rates ranging from 2 - 5%.

The refunded Unlimited Tax School Building Bonds, Series 2013, will be callable in Fiscal Year 2023 and the net proceeds of \$14,977,740 (including a \$1,524,024 total premium after payment of underwriting fees and other issuance costs) from the new debt have been placed in an irrevocable escrow account to be paid at that time. Thus, \$13,385,000 of the old bonds are considered defeased and have been removed from the District's financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$1,354,087. This amount is reported as a deferred outflow of resources and amortized over the remaining life of the refunding debt, which had a shorter remaining life than the refunded debt. The advance refunding reduced the District's total debt service payments by \$4,441,059 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$3,359,677.

In addition, during fiscal year 2021, the District defeased in substance an additional portion of its Series 2013 bonds using existing resources on hand. The resources were accumulated as a result of excess Interest and Sinking property tax revenues than were necessary for debt service. The District placed \$683,617 (net of costs of defeasance) into an irrevocable trust to pay the debt service until the call date in August 2022. The outstanding principal of \$650,000 is considered defeased and has been removed from the District's financial statements.

At June 30, 2021, the total of outstanding defeased bonds is \$14,035,000 and will be callable in August 2022.

The compensated absences are generally paid from the General Fund and appropriate Special Revenue Funds.

The District's outstanding bonds payable contain a provision that in an event of default, outstanding amounts will be paid from the corpus of the Texas Permanent School Fund. The District's outstanding tax notes contain a provision that in an event of default, outstanding amounts become immediately due.

A summary of bonds, tax notes and capital leases that are outstanding at year-end are as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Balance Outstanding at Year-End	Amounts Due in One Year
Bonds:					
Unlimited Tax School Building Bonds Series 2013	2.0% to 5.0%	\$ 15,210,000	\$ 32,844	\$ 265,000	\$ 130,000
Unlimited Tax Refunding Bonds Series 2015	2.0% to 4.0%	7,910,000	298,900	7,800,000	-
Unlimited Tax Refunding Bonds Series 2016	3.0% to 4.0%	8,545,000	294,725	7,280,000	780,000
Unlimited Tax Refunding Bonds Series 2016A	2.0% to 4.0%	5,560,000	115,475	3,315,000	685,000
Unlimited Tax Refunding Bonds Series 2020	1.8% to 5.0%				
Curent Interest Bonds		13,035,000	201,720	13,035,000	110,000
Capital Appreciation Bonds, net of premium and accreted interest		349,986	-	349,986	-
Limited Maintenance					
Tax Notes:					
Series 2015	2.0%	565,000	6,663	245,000	60,000
Series 2017	2.7%	170,000	<u>1,910</u>	<u>-</u>	<u>-</u>
Totals			\$ <u>952,237</u>	\$ <u>32,289,986</u>	\$ <u>1,765,000</u>

During each year while bonds are outstanding, the District is required to levy and collect sufficient property taxes to provide for the payment of principal and interest as it becomes due. The revenue and bond payments are accounted for in the Debt Service Fund.

Bond service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2022	\$ 1,705,000	\$ 1,020,805	\$ 2,725,805
2023	1,755,000	966,680	2,721,680
2024	1,685,000	906,705	2,591,705
2025	1,695,000	843,005	2,538,005
2026	1,755,000	775,555	2,530,555
2027-2031	8,730,000	2,839,399	11,569,399
2032-2036	7,005,000	3,205,694	10,210,694
2037-2041	5,720,000	853,177	6,573,177
2042-2044	3,785,000	151,947	3,936,947
Total	<u>\$ 33,835,000</u>	<u>\$ 11,562,967</u>	<u>\$ 45,397,967</u>

Less:

Premium on CABs	(1,145,617)
Accreted interest on CABs	<u>(644,397)</u>

Bonds outstanding at
June 30, 2021

\$ 32,044,986

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2021.

Tax note debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2022	\$ 60,000	\$ 5,439	\$ 65,439
2023	60,000	4,107	64,107
2024	60,000	2,775	62,775
2025	<u>65,000</u>	<u>1,443</u>	<u>66,443</u>
Total	<u>\$ 245,000</u>	<u>\$ 13,764</u>	<u>\$ 258,764</u>

G. 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) and 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. Detail information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.trs.texas.gov; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used.

The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

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

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

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

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

	Contribution Rates	
	2020	2021
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
Current fiscal year employer contributions		\$ 507,536
Current fiscal year member contributions		1,411,799
2020 measurement year NECE on-behalf contributions		1,081,625

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

- All public schools, charter schools, and regional educational service centers must contribute 1.5 percent of the member’s salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

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

Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases including Inflation	3.05% to 9.05%
Payroll Growth Rate	3.00%
Ad Hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. 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 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

The long-term rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2020 (see page 53 of the TRS ACFR) are summarized below:

Asset Class	Target Allocation ¹	Long-Term Expected Geometric Real Rate of Return ²	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
Stable Value			
Government Bonds	16.00%	-0.70%	-0.05%
Absolute Return	0.00%	1.80%	0.00%
Stable Value Hedge Funds	5.00%	1.90%	0.11%
Real Return			
Real Estate	15.00%	4.60%	1.02%
Energy, Natural Resources and Commodities	6.00%	6.00%	0.42%
Commodities	0.00%	0.80%	0.00%
Risk Parity			
Risk Parity	8.00%	3.00%	0.30%
Leverage			
Cash	2.00%	-1.50%	-0.03%
Asset Allocation Leverage	-6.00%	-1.30%	0.08%
Inflation Expectation			2.00%
Volatility Drag ³			-0.67%
Expected Return	100.00%		7.33%

¹ Target allocations are based on the FY2020 policy model.

² Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020).

³ 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%)
District's proportionate share of the net pension liability	\$ 9,426,685	\$ 6,113,355	\$ 3,421,348

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the District reported a liability of \$6,113,355 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	\$	6,113,355
State's proportionate share that is associated with the District		<u>14,040,070</u>
Total	\$	<u><u>20,153,425</u></u>

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 thru August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.0114144664% which was a decrease of 0.00070080019% 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 June 30, 2021, the District recognized pension expense of \$2,706,409 and revenue of \$1,688,709 for support provided by the State.

At June 30, 2021, the District's 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	\$ 11,162	\$ 170,608
Changes in actuarial assumptions	1,418,516	603,143
Differences between projected and actual investment earnings	123,759	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	500,325	259,432
Contributions paid to TRS subsequent to the measurement date	<u>436,305</u>	<u>-</u>
Total as of year-end	<u><u>\$ 2,490,067</u></u>	<u><u>\$ 1,033,183</u></u>

The 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:

For the Year Ended June 30,	Pension Expense
2022	\$ 363,187
2023	372,484
2024	328,878
2025	77,275
2026	(105,274)
Thereafter	(15,971)

H. Health Care Coverage

During the period ended June 30, 2021, employees of the District were covered by a state-wide health care plan, TRS Active Care. The District's participation in this plan is renewable annually. The District paid into the Plan \$325 per month per employee. Employees, at their option, pay premiums for any coverage above these amounts as well as for dependent coverage.

The Teachers Retirement System (TRS) manages TRS Active Care. The medical plan is administered by Blue Cross and Blue Shield of Texas, FIRSTCARE and Scott and White HMO. Medco Health administers the prescription drug plan. The latest financial information on the state-wide plan may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS website, www.trs.state.tx.us.

I. Defined Other Post-Employment Benefit Plans

Plan Description. China Spring Independent School 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 with 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 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 ACFR that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.trs.texas.gov; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS-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-employment benefit changes; including automatic COLAs.

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

	TRS-Care Monthly Premium Rates	
	Medicare	Non-Medicare
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

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

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	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%
Current fiscal year employer contributions		\$ 147,023
Current fiscal year member contributions		119,179
2020 measurement year NECE on-behalf contributions		192,060

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$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 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 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 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	

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

Additional Actuarial Methods and Assumptions

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	3.00%
Projected Salary Increases	3.05% to 9.05%
Healthcare Trend Rates	4.50% to 9.00%
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 percent was used to measure the Total OPEB Liability. There was a decrease of 0.30 percent in the discount rate since the previous year. The Discount Rate can be found in the 2020 TRS ACFR on page 76. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than the discount rate that was used (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.33%)	Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
Proportionate share of net OPEB liability	\$ 8,578,211	\$ 7,148,523	\$ 6,019,274

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2021, the District reported a liability of \$7,148,523 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	\$ 7,148,523
State's proportionate share that is associated with the District	<u>9,605,901</u>
Total	<u>\$ 16,754,424</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 employer’s proportion of the Net OPEB Liability was based on the employer’s contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2019 thru August 31, 2020.

At August 31, 2020 the employer's proportion of the collective Net OPEB Liability was 0.0188047186%, which was an increase of 0.00013755291% from its proportion measured as of August 31, 2019.

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

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
Proportionate share of the net OPEB liability	\$ 5,389,427	\$ 7,148,523	\$ 8,892,053

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$12,429 and revenue of \$(66,700) for support provided by the State.

At June 30, 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 actuarial experiences	\$ 374,294	\$ 3,271,530
Changes in actuarial assumptions	440,915	1,963,021
Differences between projected and actual investment earnings	2,323	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	1,434,929	-
Contributions paid to TRS subsequent to the measurement date	<u>124,476</u>	<u>-</u>
Total as of year-end	<u>\$ 2,376,937</u>	<u>\$ 5,234,551</u>

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

For the Year Ended June 30,	OPEB Expense
2022	\$(533,981)
2023	(534,292)
2024	(534,469)
2025	(534,425)
2026	(343,483)
Thereafter	(501,440)

J. Negative Operating Grants and Contributions – Statement of Activities

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense was negative due to changes in actuarial assumptions within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in a decrease to revenue for operating grants and contributions on the Statement of Activities. According to guidance provided directly from GASB, this is the correct reporting.

Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (excluding on- behalf accruals)
11-Instruction	\$ 2,691,048	\$(45,297)	\$ 2,736,345
12-Instructional resources and media services	14,863	(511)	15,374
13-Curriculum and staff development	128,233	(879)	129,112
21-Instructional leadership	29,096	(834)	29,930
23-School leadership	127,860	(4,270)	132,130
31-Guidance, counseling, and evaluation services	168,841	(2,755)	171,596
32-Social work services	4,672	(161)	4,833
33-Health services	20,153	(693)	20,846
34-Student transportation	61,116	(1,868)	62,984
35-Food service	572,370	(1,345)	573,715
36-Extracurricular activities	43,768	(1,506)	45,274
41-General administration	57,478	(1,978)	59,456
51-Facilities maintenance and operations	225,614	(3,901)	229,515
52-Security and monitoring services	20,396	(702)	21,098
	<u>\$ 4,165,508</u>	<u>\$(66,700)</u>	<u>\$ 4,232,208</u>

K. Medicare Part D – On-behalf Payments

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (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 of \$90,523, \$74,947, and \$57,727 were recognized for the years ended June 30, 2021, 2020, and 2019, respectively, as equal revenues and expenditures.

L. Commitments and Contingencies

The District participates in grant programs which 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, refunds of any money received may be required and the collectability of any related receivable 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 combined financial statements for such contingencies.

M. Fund Balance

At June 30, 2021, the District reported committed fund balance in the general fund of \$3.5 million for future construction, transportation, and technology purposes.

N. Shared Service Arrangements – Fiscal Agent

The District was the fiscal agent for a Shared Services Arrangement (“SSA”) which provided career and technical program services to China Spring ISD, West ISD, and Lorena ISD. All services were provided by the fiscal agent. The District accounted for the activities of the SSA using Model 3 according to the Resource Guide. The District’s total expenditures of \$1,997 were the final expenditures for the grant between July 1, 2020 and August 31, 2020 for the 2020 school year SSA grant. These funds were spent on behalf of China Spring Independent School District. The shared service agreement was terminated for fiscal year 2021.

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

Unemployment Compensation Pool

During the school year ended June 30, 2021, China Spring ISD provided unemployment compensation coverage to its employees through participation in 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. The Fund’s Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended June 30, 2021, the Fund anticipates that China Spring ISD had no additional liability beyond the contractual obligation for payment of contribution.

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, 2019, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

P. Subsequent Event

In August 2021, the District issued Unlimited Tax School Building Bonds, Series 2021 in the amount of \$49,715,000, for the purpose of constructing new buildings and facilities. The issuance includes \$22,875,000 of serial bonds with interest rates ranging from 3% to 5% and maturity dates between 2022 and 2041, and \$26,840,000 of term bonds with interest rates ranging from 3% to 4% and maturity dates between 2046 and 2051.

Q. Prior Period Adjustment

In the implementation of GASB Statement No. 84 relating to the presentation of fiduciary activities, the District adjusted the beginning net position of the custodial fund and the beginning fund balance of the non-major special revenue fund, Campus Activities. The beginning balance of the custodial fund was established to be \$35,905, being presented as a prior period adjustment in Exhibit E-2. Some activities that were previously recorded to the custodial fund were determined to have significant administrative involvement by district faculty and recorded to the Campus Activities Fund, causing a prior period adjustment to fund balance of \$39,895.

R. New Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) issued the following statement which becomes effective for fiscal year 2022.

Statement No. 87, Leases – This Statement will improve the accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities previously classified as operating leases. It establishes a single model for lease accounting based on the principle that leases are financing the right to use an underlying asset. Under the Statement a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resource, enhancing the relevance and consistency of information about leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

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CHINA SPRING INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

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

FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and intermediate sources	\$ 10,166,503	\$ 10,166,503	\$ 10,630,321	\$ 463,818
5800	State programs	15,863,052	16,512,592	16,417,950	(94,642)
5900	Federal program	180,500	180,500	100,409	(80,091)
5020	Total revenues	<u>26,210,055</u>	<u>26,859,595</u>	<u>27,148,680</u>	<u>289,085</u>
EXPENDITURES					
Current:					
0011	Instruction	15,826,045	15,759,045	15,469,385	289,660
0012	Instructional resources and media sources	207,060	207,060	199,205	7,855
0013	Curriculum and staff development	247,203	308,203	280,691	27,512
0021	Instructional leadership	423,429	423,429	395,424	28,005
0023	School leadership	1,488,590	1,557,590	1,522,582	35,008
0031	Guidance, counseling, and evaluation services	980,764	967,764	951,855	15,909
0032	Social work services	83,931	83,931	52,153	31,778
0033	Health services	275,662	275,662	257,135	18,527
0034	Student transportation	975,656	995,656	956,430	39,226
0036	Extracurricular activities	1,102,185	1,103,185	1,019,079	84,106
0041	General administration	1,072,433	1,072,433	938,223	134,210
0051	Facilities maintenance and operations	2,911,469	3,066,469	2,905,387	161,082
0052	Security and monitoring services	255,578	255,578	242,892	12,686
0053	Data processing services	109,000	109,000	70,814	38,186
Debt service:					
0071	Principal on long-term debt	90,000	125,000	125,000	-
0072	Interest on long-term debt	8,550	8,590	8,572	18
0073	Bond issuance costs and fees	1,000	1,000	-	1,000
0081	Capital outlay	-	353,500	92,455	261,045
Intergovernmental:					
0099	Other governmental charges	<u>151,500</u>	<u>151,500</u>	<u>143,791</u>	<u>7,709</u>
6030	Total expenditures	<u>26,210,055</u>	<u>26,824,595</u>	<u>25,631,073</u>	<u>1,193,522</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	35,000	1,517,607	1,482,607
OTHER FINANCING SOURCES (USES)					
8911	Transfers out	-	(35,000)	(4,467)	30,533
7080	Total other financing sources (uses)	-	(35,000)	(4,467)	30,533
1200	NET CHANGE IN FUND BALANCES	-	-	1,513,140	1,513,140
0100	FUND BALANCES, BEGINNING	<u>9,899,140</u>	<u>9,899,140</u>	<u>9,899,140</u>	-
3000	FUND BALANCES, ENDING	<u>\$ 9,899,140</u>	<u>\$ 9,899,140</u>	<u>\$ 11,412,280</u>	<u>\$ 1,513,140</u>

CHINA SPRING INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2021

Measurement period ended August 31,	<u>2020</u>	<u>2019</u>
District's proportion of the net pension liability (asset)	0.0114145%	0.0121225%
District's proportionate share of the net pension liability (asset)	\$ 6,113,355	\$ 6,301,638
State's proportionate share of the net pension liability (asset) associated with the District	<u>14,040,070</u>	<u>11,860,410</u>
Total	<u>\$ 20,153,425</u>	<u>\$ 18,162,048</u>
District's covered payroll	\$ 17,666,537	\$ 15,498,255
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	34.60%	40.66%
Plan fiduciary net position as a percentage of the total pension liability	75.54%	75.24%

Note: The information for all periods for this 10-year schedule is not available.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.0119814%	0.0114192%	0.0104610%	0.0106381%	0.0055406%
\$ 6,594,852	\$ 3,651,257	\$ 3,953,051	\$ 3,760,427	\$ 1,479,971
<u>12,810,558</u>	<u>7,436,781</u>	<u>8,607,503</u>	<u>8,191,666</u>	<u>6,980,672</u>
<u>\$ 19,405,410</u>	<u>\$ 11,088,038</u>	<u>\$ 12,560,554</u>	<u>\$ 11,952,093</u>	<u>\$ 8,460,643</u>
\$ 14,911,658	\$ 14,033,698	\$ 12,889,359	\$ 12,280,369	\$ 11,664,510
44.23%	26.02%	30.67%	30.62%	12.69%
73.74%	82.17%	78.00%	78.43%	83.25%

CHINA SPRING INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM**

FOR THE YEAR ENDED JUNE 30, 2021

Fiscal year ended June 30,	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 507,536	\$ 466,298	\$ 419,783
Contributions in relation to the contractually required contribution	(507,536)	(466,298)	(419,783)
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered payroll	\$ 18,335,120	\$ 17,388,246	\$ 15,337,896
Contribution as a percentage of covered payroll	2.77%	2.68%	2.74%

Note: The information for all periods for this 10-year schedule is not available.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 400,528	\$ 364,995	\$ 330,314	\$ 297,483
(<u>400,528</u>)	(<u>364,995</u>)	(<u>330,314</u>)	(<u>297,483</u>)
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ 14,822,569	\$ 13,786,416	\$ 12,845,256	\$ 12,183,559
2.70%	2.65%	2.57%	2.44%

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

FOR THE YEAR ENDED JUNE 30, 2021

Measurement period ended August 31,	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability (asset)	0.0188047%	0.0174292%	0.0171637%	0.0158586%
District's proportionate share of the net OPEB liability (asset)	\$ 7,148,523	\$ 8,242,478	\$ 8,569,993	\$ 6,896,307
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>9,605,901</u>	<u>10,952,409</u>	<u>13,041,163</u>	<u>11,236,494</u>
Total	<u>\$ 16,754,424</u>	<u>\$ 19,194,887</u>	<u>\$ 21,611,156</u>	<u>\$ 18,132,801</u>
District's covered-employee payroll	\$ 17,666,537	\$ 15,498,255	\$ 14,911,658	\$ 14,033,698
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	40.46%	53.18%	57.47%	49.14%
Plan fiduciary net position as a percentage of the total OPEB liability	4.99%	2.66%	1.57%	0.91%

Note: The information for all periods for this 10-year schedule is not available.

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED JUNE 30, 2021

Fiscal year ended June 30,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 147,023	\$ 140,534	\$ 122,364	\$ 112,964
Contributions in relation to the contractually required contribution	(147,023)	(140,534)	(122,364)	(112,964)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 18,335,120	\$ 17,388,246	\$ 15,337,896	\$ 14,822,569
Contribution as a percentage of covered-employee payroll	0.80%	0.81%	0.80%	0.76%

Note: The information for all periods for this 10-year schedule is not available.

CHINA SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2021

Budgetary Information

The Board of Trustees adopts an “appropriated budget” for the General Fund, Debt Service Fund and the National School Breakfast and Lunch Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenue and expenditures for each of these funds. The District compares the final amended budget to actual revenue and expenditures. The District presented the General Fund budgetary comparison schedule as required supplementary information. The National School Breakfast and Lunch Fund and Debt Service Fund budgetary comparison schedules are presented as required TEA schedules.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to June 20, the District prepares a budget for the next succeeding fiscal year beginning July 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. At least 10 days’ public notice of the meeting must be given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. The District did not have any significant budget amendments in the current year.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.
5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year’s budget. The District had no outstanding end-of-year encumbrances.

COMBINING STATEMENTS

CHINA SPRING INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2021

	Special Revenue Funds			
	211	224	225	240
	ESEA Title I, A Improving Basic Program	IDEA Part B Formula	IDEA Part B Preschool	National Breakfast and Lunch Program
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 70,038
Due from other governments	<u>43,251</u>	<u>75,372</u>	<u>912</u>	<u>27,712</u>
Total assets	<u>43,251</u>	<u>75,372</u>	<u>912</u>	<u>97,750</u>
LIABILITIES				
Accrued wages	23,338	64,298	29	55,761
Due to other funds	15,524	-	687	-
Accrued expenditures	4,389	11,074	196	7,973
Unearned revenue	-	-	-	34,016
Total liabilities	<u>43,251</u>	<u>75,372</u>	<u>912</u>	<u>97,750</u>
FUND BALANCES				
Committed - campus activity	-	-	-	-
Total fund balances	-	-	-	-
Total liabilities, deferred inflows of resources and fund balances	\$ <u>43,251</u>	\$ <u>75,372</u>	\$ <u>912</u>	\$ <u>97,750</u>

Special Revenue Funds						
244	255	266	281	289	331	410
CATE Carl Perkins	ESEA Title II, A Training and Recruiting	ESSER Grant	ESSER II Grant	ESEA Title IV, A SSAE Program	SSA CATE Carl Perkins	State Textbook
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	12,987	-	-	3,260	-	-
<u>-</u>	<u>12,987</u>	<u>-</u>	<u>-</u>	<u>3,260</u>	<u>-</u>	<u>-</u>
-	-	-	-	2,750	-	-
-	12,987	-	-	82	-	-
-	-	-	-	428	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>12,987</u>	<u>-</u>	<u>-</u>	<u>3,260</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>-</u>	\$ <u>12,987</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,260</u>	\$ <u>-</u>	\$ <u>-</u>

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CHINA SPRING INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2021

	Special Revenue Funds		Total Nonmajor Governmental Funds
	429	461	
	Locally Defined State Revenues	Campus Activity	
ASSETS			
Cash and cash equivalents	\$ -	\$ 268,542	\$ 338,580
Due from other governments	-	-	163,494
Total assets	-	268,542	502,074
LIABILITIES			
Accrued wages	-	-	146,176
Due to other funds	-	-	29,280
Accrued expenditures	-	-	24,060
Unearned revenue	-	-	34,016
Total liabilities	-	-	233,532
FUND BALANCES			
Committed - campus activity	-	268,542	268,542
Total fund balances	-	268,542	268,542
Total liabilities, deferred inflows of resources and fund balances	\$ -	\$ 268,542	\$ 502,074

CHINA SPRING INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds			
	211	224	225	240
	ESEA Title I, A Improving Basic Program	IDEA Part B Formula	IDEA Part B Preschool	National Breakfast and Lunch Program
REVENUES				
Local and intermediate sources	\$ -	\$ -	\$ -	\$ 547,035
State programs	-	-	-	35,072
Federal programs	<u>185,451</u>	<u>528,806</u>	<u>7,862</u>	<u>555,016</u>
Total revenues	<u>185,451</u>	<u>528,806</u>	<u>7,862</u>	<u>1,137,123</u>
EXPENDITURES				
Current:				
Instruction	185,451	464,070	7,862	-
Curriculum and instructional staff development	-	-	-	-
School leadership	-	-	-	-
Guidance, counseling, and evaluating services	-	64,736	-	-
Food services	-	-	-	1,141,590
Extracurricular activities	-	-	-	-
Facilities maintenance and operations	-	-	-	-
Total expenditures	<u>185,451</u>	<u>528,806</u>	<u>7,862</u>	<u>1,141,590</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	(4,467)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,467</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,467</u>
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Funds						
244	255	266	281	289	331	410
CATE Carl Perkins	ESEA Title II, A Training and Recruiting	ESSER Grant	ESSER II Grant	ESEA Title IV, A SSAE Program	SSA CATE Carl Perkins	State Textbook Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	331,592
<u>18,450</u>	<u>44,958</u>	<u>130,144</u>	<u>177,420</u>	<u>13,144</u>	<u>1,997</u>	<u>-</u>
<u>18,450</u>	<u>44,958</u>	<u>130,144</u>	<u>177,420</u>	<u>13,144</u>	<u>1,997</u>	<u>331,592</u>
18,450	-	60,916	177,420	13,144	1,997	268,619
-	44,958	-	-	-	-	62,973
-	-	2,433	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	66,795	-	-	-	-
<u>18,450</u>	<u>44,958</u>	<u>130,144</u>	<u>177,420</u>	<u>13,144</u>	<u>1,997</u>	<u>331,592</u>
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

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CHINA SPRING INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-2

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

FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds		Total Nonmajor Governmental
	429	461	
	Locally Defined State Revenues	Campus Activity	
REVENUES			
Local and intermediate sources	\$ -	\$ 401,314	\$ 948,349
State programs	111,511	-	478,175
Federal programs	-	-	1,663,248
Total revenues	<u>111,511</u>	<u>401,314</u>	<u>3,089,772</u>
EXPENDITURES			
Current:			
Instruction	58,797	-	1,256,726
Curriculum and instructional staff development	-	-	107,931
School leadership	-	-	2,433
Guidance, counseling, and evaluating services	7,262	-	71,998
Food services	-	-	1,141,590
Extracurricular activities	-	390,971	390,971
Facilities maintenance and operations	45,452	-	112,247
Total expenditures	<u>111,511</u>	<u>390,971</u>	<u>3,083,896</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	10,343	5,876
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	4,467
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>4,467</u>
NET CHANGE IN FUND BALANCES	-	10,343	10,343
FUND BALANCES, BEGINNING	<u>-</u>	<u>218,304</u>	<u>218,304</u>
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>39,895</u>	<u>39,895</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ 268,542</u>	<u>\$ 268,542</u>

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REQUIRED TEA SCHEDULES

CHINA SPRING INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE YEAR ENDED JUNE 30, 2021

Last Ten Years Ended June 30,	Tax Rates		Net Assessed/ Appraised Value for School Tax Purpose	Beginning Balance 07/01/20
	Maintenance	Debt Service		
2012 and prior years	various	various	various	91,859
2013	1.040000	0.334402	599,892,390	18,551
2014	1.040000	0.500000	624,769,481	21,575
2015	1.040000	0.498834	641,169,223	20,901
2016	1.040000	0.476070	656,528,590	26,444
2017	1.040000	0.381381	725,827,910	35,555
2018	1.040000	0.347194	797,050,881	53,473
2019	1.040000	0.318720	916,344,722	82,281
2020	0.970000	0.324110	1,019,268,764	244,205
2021 (School year under audit)	0.933300	0.324116	1,099,131,393	-
1000 Totals				\$ <u>594,844</u>

<u>Current Year's Total Levy</u>	<u>Maintenance Total Collections</u>	<u>Debt Service Total Collections</u>	<u>Entire Year's Adjustments</u>	<u>Ending Balance 06/30/21</u>
-	16,451	4,532	(11,053)	59,823
-	2,760	887	-	14,904
-	2,929	1,408	-	17,238
-	2,984	1,431	-	16,486
-	6,261	2,866	1,530	18,847
-	8,440	3,095	2,641	26,661
-	18,225	6,084	2,729	31,893
-	19,765	6,057	(7,096)	49,363
-	121,240	40,510	(27,761)	54,694
<u>13,820,654</u>	<u>10,066,686</u>	<u>3,495,954</u>	<u>-</u>	<u>258,014</u>
<u>\$ 13,820,654</u>	<u>\$ 10,265,741</u>	<u>\$ 3,562,824</u>	<u>\$ (39,010)</u>	<u>\$ 547,923</u>

CHINA SPRING INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM FUND
FOR THE YEAR ENDED JUNE 30, 2021

		Budgeted Amounts		Actual	Variance with
		Original	Final	Amounts	Final Budget
					Positive
					(Negative)
REVENUES					
5700	Local and intermediate sources	\$ 682,446	\$ 682,446	\$ 547,035	\$ (135,411)
5800	State programs	34,886	34,886	35,072	186
5900	Federal programs	<u>535,000</u>	<u>535,000</u>	<u>555,016</u>	<u>20,016</u>
5020	Total revenues	<u>1,252,332</u>	<u>1,252,332</u>	<u>1,137,123</u>	<u>(115,209)</u>
EXPENDITURES					
Current:					
0035	Food service	<u>1,252,332</u>	<u>1,287,332</u>	<u>1,141,590</u>	<u>145,742</u>
6030	Total expenditures	<u>1,252,332</u>	<u>1,287,332</u>	<u>1,141,590</u>	<u>145,742</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(35,000)</u>	<u>(4,467)</u>	<u>30,533</u>
OTHER FINANCING SOURCES (USES)					
7915	Transfers in	<u>-</u>	<u>35,000</u>	<u>4,467</u>	<u>(30,533)</u>
7080	Total other financing sources (uses)	<u>-</u>	<u>35,000</u>	<u>4,467</u>	<u>(30,533)</u>
1200	NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
0100	FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CHINA SPRING INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-5

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

FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and intermediate sources	\$ 3,103,738	\$ 3,103,738	\$ 3,610,700	\$ 506,962
5800	State programs	-	-	71,369	71,369
5020	Total revenues	<u>3,103,738</u>	<u>3,103,738</u>	<u>3,682,069</u>	<u>578,331</u>
EXPENDITURES					
Debt service:					
0071	Principal on long-term debt	1,595,000	2,278,619	2,200,000	78,619
0072	Interest on long-term debt	1,376,838	1,376,838	977,283	399,555
0073	Bond issuance costs and fees	<u>5,000</u>	<u>247,550</u>	<u>244,628</u>	<u>2,922</u>
6030	Total expenditures	<u>2,976,838</u>	<u>3,903,007</u>	<u>3,421,911</u>	<u>481,096</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	126,900	(799,269)	260,158	1,059,427
OTHER FINANCING SOURCES (USES)					
7911	Refunding bonds issued	-	13,385,000	13,384,986	(14)
7916	Premium on bonds	-	1,525,000	1,524,024	(976)
8949	Payment to escrow agent	-	(14,978,000)	(14,977,740)	260
7080	Total other financing sources (uses)	-	(68,000)	(68,730)	(730)
1200	NET CHANGE IN FUND BALANCES	<u>126,900</u>	<u>(867,269)</u>	<u>191,428</u>	<u>1,058,697</u>
0100	FUND BALANCES, BEGINNING	<u>5,418,680</u>	<u>5,418,680</u>	<u>5,418,680</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ 5,545,580</u>	<u>\$ 4,551,411</u>	<u>\$ 5,610,108</u>	<u>\$ 1,058,697</u>

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FEDERAL AWARDS SECTION

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

Board of Trustees of
China Spring Independent School District
China Spring, 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 China Spring Independent School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise China Spring Independent School District's basic financial statements, and have issued our report thereon dated October 13, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered China Spring Independent School 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 China Spring Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of China Spring Independent School District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

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

Waco, Texas
October 13, 2021

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Board of Trustees of
China Spring Independent School District
China Spring, Texas

Report on Compliance for Each Major Federal Program

We have audited China Spring Independent School District’s compliance with the types of compliance requirements described in the *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of China Spring Independent School District’s major federal programs for the year ended June 30, 2021. China Spring Independent School 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 China Spring Independent School 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 China Spring Independent School 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 China Spring Independent School District’s compliance.

Opinion on Each Major Federal Program

In our opinion, China Spring Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of China Spring Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered China Spring Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the 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 China Spring Independent School District's internal control over compliance.

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

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

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

Waco, Texas
October 13, 2021

CHINA SPRING INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

(1) Federal Grantor/ Pass-through Grantor/ Grantor/Program Title	(2) Assistance Listing Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures
U. S. DEPARTMENT OF AGRICULTURE			
<u>Passed through the Texas Education Agency</u>			
School Breakfast Program (SBP)	10.553	714020	\$ 12,898
School Breakfast Program (SBP)	10.553	714021	77,583
National School Lunch Program (NSLP)	10.555	713020	52,611
National School Lunch Program (NSLP)	10.555	713021	<u>303,077</u>
Total Passed through the Texas Education Agency			<u>446,169</u>
<u>Passed through the Texas Department of Agriculture</u>			
COVID-19 - NSLP - Emergency Operational Cost Reimbursement	10.555	00793	27,711
NSLP - Commodities - Noncash Assistance	10.555	161009A	<u>81,136</u>
Total Passed through the Texas Department of Agriculture			<u>108,847</u>
Total Child Nutrition Cluster			<u>555,016</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE			<u>555,016</u>
U. S. DEPARTMENT OF EDUCATION			
<u>Passed through the Texas Education Agency</u>			
Title I, Part A - Grants to Local Educational Agencies	84.010	21610101161920	<u>185,451</u>
IDEA B Formula - Special Education Grants to States	84.027	216600011619206000	526,416
IDEA B Formula - Special Education Grants to States	84.027	206600011619206000	2,390
IDEA Preschool - Special Education Preschool Grants	84.173	216610011619206000	6,860
IDEA Preschool - Special Education Preschool Grants	84.173	206610011619206000	<u>1,002</u>
Total Special Education Cluster (IDEA)			<u>536,668</u>
Perkins IV - Career and Technical Education	84.048A	21420006161920	18,450
Perkins IV - Career and Technical Education	84.048A	20420006161920	<u>1,997</u>
Total CFDA 84.048A			<u>20,447</u>
Title II, Part A - Supporting Effective Instruction State Grants	84.367A	20694501161920	14,407
Title II, Part A - Supporting Effective Instruction State Grants	84.367A	21694501161920	<u>30,551</u>
Total CFDA 84.367A			<u>44,958</u>
Title IV, Part A, Subpart 1	84.424A	20680101161920	<u>13,144</u>
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER)	84.425D	20521001161920	130,144
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER)	84.425D	52102135	<u>177,420</u>
Total CFDA 84.425D			<u>307,564</u>
Total Passed through the Texas Education Agency			<u>1,108,232</u>
TOTAL U. S. DEPARTMENT OF EDUCATION			<u>1,108,232</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>1,663,248</u>

CHINA SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2021

1. GENERAL

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal award programs of China Spring Independent School District. The District's reporting entity is defined in Note I of the basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The information in this 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). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

3. PASS-THROUGH EXPENDITURES

None of the federal programs expended by the District were provided to subrecipients.

4. INDIRECT COSTS

The District did not elect to apply the 10% de minimis indirect cost rate.

5. RECONCILIATION OF FEDERAL REVENUES AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal revenues per the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds (Exhibit C-3)	\$ 1,763,657
School health and related services revenue	(<u>100,409</u>)
Federal expenditures per the Schedule of Expenditures of Federal Awards (Exhibit K-1)	\$ <u><u>1,663,248</u></u>

CHINA SPRING INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2021

Summary of Auditor's Results

Financial Statements

Type of report on financial statements	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiency(ies) identified, that were not considered a material weakness?	None reported
Material noncompliance to the financial statements noted?	No

Federal Awards

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiency(ies) identified, that were not considered a material weakness?	None reported
Type of auditors' report on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs: Assistance Listing Numbers: 10.553 and 10.555	Name of Federal Program or Cluster: Child Nutrition Cluster
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

**Findings Relating to the Financial Statements Which are
Required to be Reported in Accordance With Generally
Accepted Government Auditing Standards**

None

Findings and Questioned Costs for Federal Awards

None

CHINA SPRING INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2021

None.