
PORT ARTHUR
INDEPENDENT SCHOOL
DISTRICT

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

For the Year Ended August 31, 2021



CPAs and Professional Consultants

**PORT ARTHUR
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND
COMPLIANCE REPORT**

For the Year Ended August 31, 2021



PORT ARTHUR INDEPENDENT SCHOOL DISTRICT

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CERTIFICATE OF THE BOARD

Port Arthur Independent School District

Name of School District

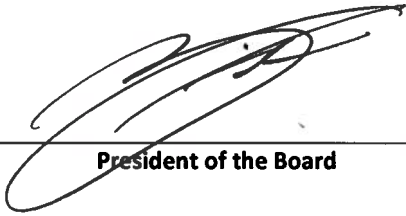
Jefferson

County

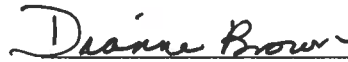
123-907

Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the year ended August 31, 2021, at a meeting of the Board of Trustees of such school district on January 27, 2022.



President of the Board



Secretary of the Board



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Port Arthur Independent School District
Port Arthur, 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 Port Arthur Independent School District (the "District") as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this included 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 included evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2021, and respective changes in the financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Port Arthur Independent School District

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, the budgetary comparison information, the required pension system information, and the required other post-employment benefit 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 Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The accompanying supplementary information such as the Texas Education Agency (“TEA”) required schedules, as listed in the table of contents, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for additional analysis and are not a required part of the basic financial statements.

The other supplementary information described above is the responsibility of management and was 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 other supplementary information is 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 January 27, 2022 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



Houston, Texas
January 27, 2022

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Port Arthur Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2021.

Financial Highlights

The liabilities and deferred inflows exceeded the District's assets and deferred outflows at the close of the fiscal year by \$48,234,788 (*net deficit*). Of this amount, negative \$11,481,679 was net investment in capital assets, which represents the debt related to the capital assets that exceeds the carrying value of the capital assets, \$3,433,652 was restricted for debt service and federal and state programs, and the remaining amount was a deficit unrestricted net position of \$40,186,761.

- The District's total net position decreased by \$6,040,318 from current year activities, primarily due to a decrease in property tax revenues and state aid.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$93,273,044, a decrease of \$5,801,126 in comparison with the prior year. The decrease in governmental fund balances was primarily due to a decrease in the capital projects fund of \$4,297,828 due construction activity during the fiscal year. In addition the decrease of \$1,734,005 in the general fund was due to a decrease in property tax revenue, property tax refunds, and state aid.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$24,746,912 or 28 percent of total general fund expenditures.
- The District's total debt decreased by \$12,373,546 (3 percent) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

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

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

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

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The *government-wide financial statements* of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*). The *governmental activities* of the District include Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Administration, Facilities Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Bond Issuance Costs and Fees, Facilities Repairs and Maintenance, Payments to Juvenile Justice Alternative Education Programs and Payments to Appraisal District.

Fund Financial Statements

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

Governmental Funds

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

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

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special revenue fund, debt service fund, and the capital projects fund, all of which are considered to be major funds. The District adopts an annual appropriated budget for its general fund, debt service fund, and Child Nutrition Program.

Fiduciary Funds

The fiduciary fund is used to account for resources held for the benefit of students. The fiduciary fund is *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operation.

The District also has a private purpose trust fund used to account for donations for scholarship funds that are received by the District that are to be awarded to current and former students.

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds.

Other Information

The schedules and other supplementary information are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, liabilities and deferred inflows exceeded assets and deferred outflows by \$48.2 million (deficit) at the close of the fiscal year caused primarily by the negative effect of the net pension and OPEB liabilities and related deferred inflows and outflows in the amount of \$63.7 million.

The District's net position is its investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, construction in progress), less any outstanding related debt used to acquire those assets amounts to a negative \$11.3 million. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position in the amount of \$3,433,652 is restricted for federal and state programs and debt service. The remaining balance of \$40,186,761 is an *unrestricted net deficit*. The District's net position decreased by \$6.0 million during fiscal year 2021 due to current year activities.

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Port Arthur Independent School District's Net Position

	Governmental Activities	
	2021	2020
Current and other assets	\$ 109,315,512	\$ 104,739,807
Capital and non current assets	299,974,675	329,354,402
Total Assets	409,290,187	434,094,209
Deferred Outflows of Resources		
Deferred charge on refunding	16,888,139	13,649,842
Deferred outflows relating to pension/OPEB activities	17,292,158	12,607,773
Total Deferred Outflows of Resources	34,180,297	26,257,615
Current liabilities	11,457,885	11,675,478
Long term liabilities	450,875,453	465,987,874
Total Liabilities	462,333,338	477,663,352
Deferred Inflows of Resources		
Deferred inflows relating to pension/OPEB activities	29,371,934	21,498,194
Total Deferred Inflows of Resources	29,371,934	21,498,194
Net Position		
Net investment in capital assets	(11,481,679)	(14,674,574)
Restricted	3,433,652	3,072,511
Unrestricted	(40,186,761)	(27,207,659)
Total Net Position	\$ (48,234,788)	\$ (38,809,722)

Governmental Activities

Governmental activities decreased the District's net position by \$6,040,318. Key elements of this are as follows:

Revenues are generated primarily from two sources, program revenues and general revenues. Grants and contributions (\$24,774,323) represent 19 percent of total revenues and property taxes (\$82,609,936) represent 62 percent of total revenues. State aid totaled \$17,641,650 or 13 percent of total revenues. The remaining \$7,303,768 or 6 percent is generated from charges for services, investment earnings, and miscellaneous revenues.

The primary functional expense of the District is instruction (\$67,667,936), which represents 49 percent of total expenses. Facilities maintenance and operations (\$16,693,925) represents 12 percent of total expenses. Interest on long-term debt (\$12,345,181) represents 9 percent of total expenses. The remaining individual functional categories of expenses are each less than 10 percent of total expenses. Revenues from property taxes increased by \$15,536,465 or 23 percent.

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Port Arthur Independent School District's Changes in Net Position

	Governmental Activities	
	2021	2020
Program Revenues		
Charges for services	\$ 1,142,213	\$ 1,667,578
Operating grants	24,593,247	26,074,138
General Revenues		
Property taxes	82,609,936	67,073,471
State aid	17,641,650	13,583,759
Grants and contributions not restricted	181,076	-
Investment earnings	279,432	1,901,596
Other	5,882,123	5,205,481
Total Revenues	132,329,677	115,506,023
Expenses		
Instruction	67,667,936	66,784,324
Instructional resources and media services	1,165,405	1,020,256
Curriculum and staff development	1,484,073	1,314,553
Instructional leadership	2,840,060	2,768,607
School leadership	7,781,164	7,755,851
Guidance, counseling, and evaluation services	3,957,698	3,939,905
Social work services	1,023,783	1,008,284
Health services	1,899,044	1,797,027
Student transportation	2,618,422	3,254,993
Food services	5,713,244	6,048,828
Extracurricular activities	1,992,654	2,005,472
General administration	4,340,813	3,932,592
Facilities maintenance and operations	16,693,925	15,868,269
Security and monitoring services	1,901,369	2,021,515
Data processing services	2,259,876	2,686,074
Community services	456,593	481,066
Interest on long-term debt	12,345,181	14,065,868
Debt issuance costs and fees	857,905	870,081
Facilities planning	195,404	80,422
Contracted instructional services between schools	308,871	441,960
Payments to Juvenile Justice AEP	108,000	108,000
Payments to appraisal district	758,575	620,230
Total Expenses	138,369,995	138,874,177
Increase (Decrease) in Net Position	(6,040,318)	(23,368,154)
Beginning Net Position	(38,809,722)	(15,441,568)
Prior period adjustment	(3,384,748)	-
Ending Net Position	\$ (48,234,788)	\$ (38,809,722)

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Financial Analysis of the Government's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$93,273,044, a decrease of \$5.8 million in comparison with the prior year. The decrease in ending governmental fund balances is primarily due to a decrease of \$4.3 million in the capital projects fund and the decrease of \$1.7 million in the general fund.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$24.7 million, while total fund balance reached \$36.6 million. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 28 percent of total general fund expenditures, while total fund balance represents 42 percent of that same amount.

The debt service fund has a total fund balance of \$2.0 million, all of which is restricted for the payment of debt service. The increase in the debt service fund balance during the current year of \$188,454 was attributable the refunding bonds issued and placed in escrow.

The capital projects fund has a total fund balance of \$54,570,692, all of which is restricted for authorized construction and technology projects/enhancements. The net decrease in fund balance of \$4.3 million during the current year was primarily due to construction projects underway.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget as considered necessary. Actual expenditures were \$5.9 million below the final budget amendments. The most significant positive variance was in instruction, which totaled \$3.2 million.

Actual revenues were approximately \$5,000 below the final budgeted amounts. This was primarily attributable to the District receiving less property taxes than anticipated, but the difference was made up in federal and state revenues.

Other financing sources (uses) were \$643,288 below the final budgeted amounts due to a transfer out to cover the deficit in the child nutrition fund.

The review of the final amended budget versus actual for the general fund reflected a positive budget variance in the amount of \$5.2 million. The District budgeted for a decrease of \$6.9 million, but the actual decrease in fund balance was \$1.7 million.

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Capital Assets and Long-term Liabilities

Capital Assets

The District's investment in capital assets for its governmental type activities as of August 31, 2021, amounts to \$299,272,737 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment and construction in progress. Major capital asset events during the current fiscal year included the following:

	Balance September 1, 2020, As Restated				Balance August 31, 2021
	Additions	(Retirements)	Transfers		
Capital assets, not being depreciated					
Land	\$ 6,723,608	\$ -	\$ -	\$ -	\$ 6,723,608
Construction in progress	1,359,723	3,696,385	-	(1,359,723)	3,696,385
Total Capital Assets, not being depreciated	<u>8,083,331</u>	<u>3,696,385</u>	<u>-</u>	<u>(1,359,723)</u>	<u>10,419,993</u>
Capital assets, being depreciated					
Buildings and improvements	441,580,135	-	-	1,359,723	442,939,858
Furniture and equipment	43,396,547	1,514,479	-	-	44,911,026
Total Capital Assets, being depreciated	<u>484,976,682</u>	<u>1,514,479</u>	<u>-</u>	<u>1,359,723</u>	<u>487,850,884</u>
Less accumulated depreciation for:					
Buildings and improvements	(147,024,297)	(17,283,217)	-	-	(164,307,514)
Furniture and Equipment	(31,185,577)	(3,505,049)	-	-	(34,690,626)
Total Accumulated Depreciation	<u>(178,209,874)</u>	<u>(20,788,266)</u>	<u>-</u>	<u>-</u>	<u>(198,998,140)</u>
Governmental Capital Assets	<u><u>\$ 314,850,139</u></u>	<u><u>\$ (15,577,402)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 299,272,737</u></u>

Additional information on the District's capital assets can be found in Note 4 of the notes to the financial statements.

Long-term Liabilities

At the end of the current fiscal year, the District had \$353,925,000 in bonded debt outstanding, a decrease of \$12,373,546 over the previous year. Upon approval by the State of Texas, the District's bonds are sold with a "AAA" rating and are guaranteed through Permanent School Fund. The underlying rating of the bonds from Fitch Ratings is "A+" and from Moody's Investors Service is "Aaa" for general obligation debt. Changes to long-term debt, for the year ended August 31, 2021, are as follows:

	Balance September 1, 2020			Balance August 31, 2021	Due Within One Year
	Additions	Retirements			
General obligation bonds	\$ 366,340,000	\$ 68,795,000	\$ (81,210,000)	\$ 353,925,000	\$ 12,490,000
For issuance premiums/discounts	39,087,823	-	(10,799,576)	28,288,247	-
Accrued compensated absences	1,838,913	675,364	(86,785)	2,427,492	618,988
Accreted interest on premium compound interest bonds	-	14,301,435	213,382	14,514,817	-
Property tax lawsuits settlements	4,262,366	-	(4,262,366)	-	-
Other long-term liability	79,420	-	-	79,420	-
	<u>\$ 411,608,522</u>	<u>\$ 83,771,799</u>	<u>\$ (96,145,345)</u>	<u>\$ 399,234,976</u>	<u>\$ 13,108,988</u>

Additional information on the District's long-term liabilities can be found in Note 6 of the notes to the financial statements.

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Economic Factors and Next Year's Budgets and Tax Rates

The 2021-2022 school year will be one of challenges and change in the Port Arthur Independent School District. With each new challenge comes the opportunity to further the progress toward accomplishing our goals of greater achievement and operational effectiveness. We welcome those opportunities, along with collaboration of the entire community in successfully preparing students for the future. Public education is a never-ending responsibility, but it is one that holds the greatest opportunity to make the future for thousands of young people the brightest possible. It is the responsibility to which each and every PAISD employee dedicates his or her life. It is clearly a worthwhile task that we undertake, year after year, fully committed to the PAISD community.

The time and effort that have gone into budget planning for the 2021-2022 school year has been like no other year. This year's budget is impacted by increased expenses caused by unforeseen costs incurred by COVID-19. These challenges have taken us to a higher level of thinking and understanding of how to address unforeseen challenges and still make sound decisions. We are thankful to see that our student numbers have not dropped significantly due to COVID-19. We will continue to work with parents in order to get all students back to in-person learning. Additional impacts to this year's budget include:

- Insurance – Auto, Property, and Unemployment
- Health Insurance - employer contribution
- Employer payment of TRS penalty/surcharge

For 2021-22, the maintenance and operations (M&O) tax rate is \$1.0517. The Interest and Sinking fund (I&S) rate is \$0.534082. In an environment where millions of Americans are out of work, we are proud that this year's budget allows for the maximum preservation of jobs which is great for this community. The district continues with a well thought out compensation plan with a starting teacher salary of \$50,000 per year while also adjusting salaries for years of service and changes in pay grades. It is hoped this will assist with employee retention and recruitment.

Projected revenues for the 2021-22 General Fund are \$85,175,096, excluding TRS contributions. Revenues for the General Fund are generated from the following primary resources:

- Local Funding - \$59,831,958
- State Funding - \$23,589,616
- Federal Funding - \$1,753,522

The 2021-22 state revenue projections are based on an estimated average daily attendance (ADA) of 7,166 students.

In addition to those funds shown above, the district also records recognition for the state's contribution in the amount of 7.75% for teacher retirement on behalf of all TRS employees in the district plus an additional 1.25% for TRS Care totaling to 9.00%.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Business Office, Port Arthur Independent School District, P. O. Box 1388. Port Arthur, Texas 77641-1388.

BASIC FINANCIAL STATEMENTS



PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
August 31, 2021

Exhibit A-1

<u>Data Control Codes</u>		<u>Governmental Activities</u>
Assets		
1110	Cash and cash equivalents	\$ 36,813,835
1120	Investments	50,627,584
1225	Property taxes receivables, net	6,471,131
1240	Due from other governments	14,590,921
1250	Accrued interest	87,693
1310	Inventories	724,348
Capital assets not subject to depreciation:		
1510	Land	6,723,608
1580	Construction in progress	3,696,385
Capital assets net of depreciation:		
1520	Buildings and improvements, net	278,632,344
1530	Furniture and equipment, net	10,220,400
1910	Long-term investments	701,938
1000	Total Assets	<u>409,290,187</u>
Deferred Outflows of Resources		
	Deferred charge on refunding	16,888,139
	Deferred outflows - Pension	13,558,092
	Deferred outflows - OPEB	3,734,066
1700	Total Deferred Outflows of Resources	<u>34,180,297</u>
Liabilities		
2110	Accounts payable	3,287,037
2140	Interest payable	576,143
2150	Payroll deductions and withholdings	1,384,250
2160	Accrued wages payable	5,207,772
2190	Due to student groups and others	375
2200	Accrued expenses	995,457
2300	Unearned revenue	6,851
Noncurrent Liabilities:		
2501	Due within one year	13,108,988
2502	Due in more than one year	386,125,988
2540	Net pension liability	23,909,486
2545	Net other post-employment benefits (OPEB) liability	27,730,991
2000	Total Liabilities	<u>462,333,338</u>
Deferred Inflows of Resources		
	Deferred inflows - Pension	4,349,917
	Deferred inflows - OPEB	25,022,017
2600	Total Deferred Inflows of Resources	<u>29,371,934</u>
Net Position		
3200	Net investment in capital assets	(11,481,679)
Restricted for:		
3820	Federal and state programs	69,499
3850	Debt service	3,364,153
3900	Unrestricted	(40,186,761)
3000	Total Net Position	<u>\$ (48,234,788)</u>

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT

Exhibit B-1

STATEMENT OF ACTIVITIES

August 31, 2021

Data Control Codes	Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:					
11	Instruction	\$ 67,667,936	\$ 388,305	\$ 13,775,999	\$ (53,503,632)
12	Instructional resources and media services	1,165,405	-	374,080	(791,325)
13	Curriculum and staff development	1,484,073	10,712	526,167	(947,194)
21	Instructional leadership	2,840,060	16,829	462,301	(2,360,930)
23	School leadership	7,781,164	83,792	926,013	(6,771,359)
31	Guidance, counseling, and evaluation services	3,957,698	8,997	689,342	(3,259,359)
32	Social work services	1,023,783	45,779	461,063	(516,941)
33	Health services	1,899,044	25,935	1,707,770	(165,339)
34	Student transportation	2,618,422	29,532	371,136	(2,217,754)
35	Food service	5,713,244	100,763	4,188,848	(1,423,633)
36	Extracurricular activities	1,992,654	355,366	10,592	(1,626,696)
41	General administration	4,340,813	46,717	48,033	(4,246,063)
51	Facilities maintenance and operations	16,693,925	20,425	542,071	(16,131,429)
52	Security and monitoring services	1,901,369	1,505	111,554	(1,788,310)
53	Data processing services	2,259,876	-	909	(2,258,967)
61	Community services	456,593	7,556	152,755	(296,282)
72	Interest on long-term debt	12,345,181	-	-	(12,345,181)
73	Debt issuance costs and fees	857,905	-	-	(857,905)
81	Facilities planning	195,404	-	244,614	49,210
91	Contracted instructional services between schools	308,871	-	-	(308,871)
95	Payments to Juvenile Justice AEP	108,000	-	-	(108,000)
99	Payments to appraisal district	758,575	-	-	(758,575)
TG	Total Governmental Activities	<u>\$ 138,369,995</u>	<u>\$ 1,142,213</u>	<u>\$ 24,593,247</u>	<u>(112,634,535)</u>

Data Control Codes

General Revenues:

Taxes:		
MT	Property taxes, levied for general purposes	56,299,360
DT	Property taxes, levied for debt service	26,310,576
SF	State-aid formula grants	17,641,650
GC	Grants and contributions not restricted	181,076
IE	Investment earnings	279,432
MI	Miscellaneous	5,882,123
TR	Total General Revenues	<u>106,594,217</u>
CN	Change in net position	(6,040,318)
NB	Net Position - Beginning	(38,809,722)
PA	Prior period adjustments	(3,384,748)
NE	Net Position - Ending	<u>\$ (48,234,788)</u>

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
August 31, 2021

Exhibit C-1

Data Control Codes		General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Assets						
1110	Cash and cash equivalents	\$ 28,200,311	\$ 1,806,323	\$ 1,711,201	\$ 5,096,000	\$ 36,813,835
1120	Investments	-	-	-	50,627,584	50,627,584
Receivables:						
1220	Property taxes - delinquent	4,817,398	2,372,748	-	-	7,190,146
1230	Allowance for uncollectible taxes	(481,740)	(237,275)	-	-	(719,015)
1240	Due from other governments	8,706,542	-	5,884,379	-	14,590,921
1250	Accrued interest	-	-	-	87,693	87,693
1260	Due from other funds	6,671,028	-	765,084	-	7,436,112
1290	Other receivables	-	-	-	-	-
1310	Inventories	574,724	-	149,624	-	724,348
1910	Long-term investments	-	-	-	701,938	701,938
1000	Total Assets	\$ 48,488,263	\$ 3,941,796	\$ 8,510,288	\$ 56,513,215	\$ 117,453,562
Liabilities, Deferred Inflows and Fund Balances						
Liabilities:						
2110	Accounts payable	\$ 1,241,683	\$ 1,500	\$ 1,096,788	\$ 947,066	\$ 3,287,037
2150	Payroll deductions and withholdings	1,384,250	-	-	-	1,384,250
2160	Accrued wages payable	4,603,885	-	603,887	-	5,207,772
2170	Due to other funds	765,084	-	6,671,028	-	7,436,112
2190	Due to student groups and others	79,795	-	-	-	79,795
2200	Accrued expenditures	-	-	-	995,457	995,457
2300	Unearned revenues	-	-	6,851	-	6,851
2000	Total Liabilities	8,074,697	1,500	8,378,554	1,942,523	18,397,274
Deferred Inflows of Resources						
	Unavailable revenue - property taxes	3,861,878	1,921,366	-	-	5,783,244
2600	Total Deferred Inflows of Resources	3,861,878	1,921,366	-	-	5,783,244
Fund Balances						
Non-Spendable						
3410	Inventories	574,724	-	149,624	-	724,348
Restricted						
3450	Federal/State grant funds	-	-	69,499	-	69,499
3470	Capital acquisitions and contractual obligations	-	-	-	54,570,692	54,570,692
3480	Debt service	-	2,018,930	-	-	2,018,930
Committed						
3510	Construction	6,654,590	-	-	-	6,654,590
3520	Claims and judgments	3,811,178	-	-	-	3,811,178
3545	Other committed	764,302	-	131,736	-	896,038
3600	Unassigned	24,746,894	-	(219,125)	-	24,527,769
3000	Total Fund Balances	36,551,688	2,018,930	131,734	54,570,692	93,273,044
4000	Total Liabilities, Deferred Inflows and Fund Balances	\$ 48,488,263	\$ 3,941,796	\$ 8,510,288	\$ 56,513,215	\$ 117,453,562

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
STATEMENT OF NET POSITION
August 31, 2021

Exhibit C-2

<u>Data Control Codes</u>		
	Total Fund Balance, Governmental Funds	\$ 93,273,044
	Amounts reported for governmental activities in the statement of net position are different because:	
1	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation, where applicable	299,272,737
2	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	5,783,244
3	The deferred charge on refunding is not a current financial resource and is not reported on the fund financial statements	16,888,139
4	Deferred Outflows relating to pension activities	13,558,092
5	Deferred Outflows relating to OPEB activities	3,734,066
6	Interest payable on general obligation bonds are due within a year but are not included in the fund financial statements.	(576,143)
	Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
7	General obligation bonds	(353,925,000)
8	Accrued compensated absences	(2,427,492)
9	Premium/discount on issuance of bonds	(28,288,247)
	Accreted interest on capital appreciation bonds	(14,514,817)
10	Net Pension Liability	(23,909,486)
11	Net OPEB Liability	(27,730,991)
12	Property tax lawsuit settlements	-
13	Deferred Inflows relating to pension activities	(4,349,917)
14	Deferred Inflows relating to OPEB activities	<u>(25,022,017)</u>
19	Total Net Position - Governmental Activities	<u>\$ (48,234,788)</u>

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended August 31, 2021

Exhibit C-3

Data Control Codes		General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues						
5700	Local, intermediate, and out-of-state	\$ 62,155,619	\$ 26,316,084	\$ 1,072,505	\$ 132,159	\$ 89,676,367
5800	State program revenues	22,049,282	330,156	829,287	-	23,208,725
5900	Federal program revenues	4,818,904	-	14,193,329	-	19,012,233
5020	Total Revenues	89,023,805	26,646,240	16,095,121	132,159	131,897,325
Expenditures						
Current:						
0011	Instruction	47,710,169	-	8,683,593	-	56,393,762
0012	Instructional resources and media services	735,498	-	210,778	-	946,276
0013	Curriculum and instructional staff development	677,691	-	513,157	-	1,190,848
0021	Instructional leadership	2,051,403	-	265,631	-	2,317,034
0023	School leadership	5,746,570	-	616,850	-	6,363,420
0031	Guidance, counseling and evaluation services	2,853,971	-	382,925	-	3,236,896
0032	Social work services	524,122	-	320,604	-	844,726
0033	Health services	1,065,512	-	442,578	-	1,508,090
0034	Student transportation	1,762,025	-	313,916	-	2,075,941
0035	Food services	9,723	-	4,385,114	-	4,394,837
0036	Extracurricular activities	1,497,053	-	55,902	-	1,552,955
0041	General administration	3,604,626	-	14,294	-	3,618,920
0051	Facilities maintenance and operations	14,003,947	-	139,677	-	14,143,624
0052	Security and monitoring services	1,548,542	-	113,829	-	1,662,371
0053	Data processing services	1,780,194	-	909	-	1,781,103
0061	Community services	263,675	-	107,198	-	370,873
Debt service						
0071	Principal on long-term debt	-	12,415,000	-	-	12,415,000
0072	Interest on long-term debt	-	13,135,145	-	-	13,135,145
0073	Bond issuance costs and fees	-	857,905	-	-	857,905
Capital outlay						
0081	Facilities acquisition and construction	19,932	-	-	4,429,987	4,449,919
Intergovernmental						
Contracted instructional services between						
0091	public schools	308,871	-	-	-	308,871
0095	Payments to Juvenile Justice AEP	108,000	-	-	-	108,000
0099	Payments to appraisal district	758,575	-	-	-	758,575
6030	Total Expenditures	87,030,099	26,408,050	16,566,955	4,429,987	134,435,091
1100	Excess (deficiency) of revenues over expenditures	1,993,706	238,190	(471,834)	(4,297,828)	(2,537,766)
Other Financing Sources (Uses)						
7901	Issuance of refunding bonds	-	68,795,000	-	-	68,795,000
7912	Sale of real and personal property	145,659	-	7,986	-	153,645
7915	Operating transfers in	250,268	-	756,369	-	1,006,637
7916	Premium on bonds issued	-	14,301,435	-	-	14,301,435
8911	Operating transfers out	(756,369)	-	(250,268)	-	(1,006,637)
8949	Other uses - property tax refunds	(3,367,269)	(895,097)	-	-	(4,262,366)
8949	Other uses - payment to escrow agent	-	(82,251,074)	-	-	(82,251,074)
7080	Total Other Financing Sources (Uses)	(3,727,711)	(49,736)	514,087	-	(3,263,360)
1200	Net change in fund balance	(1,734,005)	188,454	42,253	(4,297,828)	(5,801,126)
0100	Fund balance - September 1 (Beginning)	38,285,693	1,830,476	89,481	58,868,520	99,074,170
3000	Fund balance - August 31 (Ending)	\$ 36,551,688	\$ 2,018,930	\$ 131,734	\$ 54,570,692	\$ 93,273,044

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2021

Exhibit C-4

<u>Data Control Codes</u>		
	Net change in fund balances - total governmental funds (from C-3)	\$ (5,801,126)
	Amounts reported for governmental activities in the statement of activities (B-1) 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.	
1	Governmental funds capital outlay	5,210,864
2	Governmental activities depreciation expense	(20,788,266)
3	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	85,456
4	Change in net pension liability and related deferred outflows/inflows	(1,990,495)
5	Change in net OPEB liability and related deferred outflows/inflows	1,540,015
6	Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.	12,415,000
	Proceeds from issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities and amounts paid to refunding agents are treated as a decrease in long-term liabilities.	
7	Proceeds from issuance of bonds	(68,795,000)
8	Premium on issuance of regular bonds	(14,301,435)
9	Payments to refunding agent	82,251,074
	Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
10	Change in interest payable	91,391
11	Amortization of deferred loss on refunding	(1,149,537)
12	Amortization of premium/discount	1,731,336
13	Change in compensated absences	(588,579)
14	Accreted interest on capital appreciation bonds	(213,382)
15	The property tax lawsuits settlements and property tax refunds are recorded when due and payable. If not due and payable within the fiscal year, the liability and related expenditure is recorded in the government-wide statements.	<u>4,262,366</u>
	Change in net position of governmental activities (see B-1)	<u>\$ (6,040,318)</u>

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
August 31, 2021

Exhibit E-1

	Private Purpose Trust Funds	Custodial Fund
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 30,814	\$ 250,565
Receivables:		
Other receivables	<u> -</u>	<u> 375</u>
Total Assets	<u> 30,814</u>	<u> 250,940</u>
Liabilities		
Accounts payable	<u> 500</u>	<u> 25,919</u>
Total Liabilities	<u> 500</u>	<u> 25,919</u>
Net Position		
Held in trust for other purposes	<u> \$ 30,314</u>	<u> \$ 225,021</u>

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended August 31, 2021

Exhibit E-2

	<u>Private Purpose Trust Funds</u>	<u>Custodial Funds</u>
Additions		
Gifts and contributions	\$ 8,000	\$ -
Student activity additions	-	133,037
Total Additions	<u>8,000</u>	<u>133,037</u>
Deductions		
Scholarships awarded	10,500	-
Student activities deductions	-	155,779
Total Deductions	<u>10,500</u>	<u>155,779</u>
Change in net position	(2,500)	(22,742)
Net Position Beginning of Year, Restated	<u>32,814</u>	<u>247,763</u>
Net Position End of Year	<u>\$ 30,314</u>	<u>\$ 225,021</u>

Note 1 - Summary of Significant Accounting Policies

The Port Arthur Independent School District (the "District") is an independent public educational agency operating under applicable laws and regulations of the State of Texas. The District is autonomously governed by a seven-member Board of Trustees elected by the District's residents.

The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement of Auditing Standards No. 69* of the American Institute of Certified Public Accountants. Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

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

Reporting Entity

The District is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these general-purpose financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions as part of the District's financial reporting entity. Based on these considerations, the District's general-purpose financial statements do not include any other entities. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the District's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is that of a primary government are: that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include: considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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 non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The fiduciary fund financial statements reflect the District's custodial fund, which accounts for student activities. The District also has a private purpose trust fund used to account for donations for scholarship funds that are received by the District that are to be awarded to current and former students. Both the private purpose trust and custodial funds are reported using the economic resources measurement focus and the accrual basis of accounting.

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

Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- 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* is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction and technology projects/enhancements.
- The *special revenue fund* is used to account for resources restricted to, or designated, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of the specified project periods. With respect to the food service program, funds are rolled over from year to year for use in the program.

Additionally, the District reports the following fiduciary fund types:

- The *private-purpose trust fund* is used to account for donations for scholarship funds that are received by the District that are to be awarded to current and former students for post-secondary education purposes.
- The *custodial fund* is used to account for net position held by the District as a custodian for student organizations.

Note 1 - Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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

Amounts reported as *program revenues* include 1) charges to students or users for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and investment income.

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

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, investment pools, (TexPool and Lone Star), and money market funds.

The District reports all investments at fair value, except for investment pools. The District's investment pools are valued and reported at amortized cost, which approximates fair value.

The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*.

Receivables and Payables

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

Property tax receivables include unpaid property taxes at year-end and are shown net of an allowance for uncollectable taxes. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements. Property values are determined by the Jefferson County Appraisal District as of January 1 of each year. Prior to September 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

Note 1 - Summary of Significant Accounting Policies (continued)

Inventories

Inventories consisting of supplies and materials are valued at weighted average cost and they include maintenance, transportation, office and instructional supplies, and food service commodities. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Food service commodity inventory is recorded at fair market value on the date received. Commodities are recognized as revenues in the period received when all the eligibility requirements are met. Commodity inventory items are recorded as expenditures when distributed to user locations. A portion of fund balance is classified as nonspendable to reflect minimum inventory quantities considered necessary for the District’s continuing operations.

Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, furniture and equipment are reported in the governmental column in the government-wide financial statements. The District’s infrastructure includes parking lots and roads associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost that equals or exceeds \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15-60
Furniture, fixtures and equipment	7-25

Compensated Absences

In the government-wide financial statements, a liability is recorded for all accumulated carryover days as of August 31, 2021. A liability is recorded in the governmental funds for only those employees with carryover days that had retired, but had not yet been paid as of August 31, 2021.

Per the District’s policy (DEC Local), all employees, except those who are dismissed for misconduct or whose contracts are non-renewed or terminated, who have worked for the District for at least three years will be reimbursed for each of the first 30 days of accrued sick leave upon retirement. Professional employees will be paid \$20 per day and other employees will be paid \$15 per day. For each day of accrued sick leave beyond the first 30 days, professional employees shall be paid \$10 and other employees shall be paid \$7.50. Only days earned in the District will be eligible for reimbursement. At the aforementioned rates, professional employees will be paid for accrued sick leave in an amount not to exceed \$1,500 and other employees shall be paid for accrued sick leave in an amount not to exceed \$900. Upon payment of the retiree’s accumulated sick leave days, the sick leave balance shall be reduced to zero.

Note 1 - Summary of Significant Accounting Policies (continued)

Long-term Obligations

The District's long-term obligations consist of bonded indebtedness, property tax lawsuit settlements, and compensated absences. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities column on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for workers' compensation and compensated absences are accounted for in the general fund.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position, deferred amounts related to pension, and deferred amounts related to OPEB. The deferred charge on refunding resulted from the difference between 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 deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide financial statements the District reports deferred amounts related to pension and deferred amounts related to OPEB.

Note 1 - Summary of Significant Accounting Policies (continued)

Pensions and Other Post-Employment Benefits

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.

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.

Fund Balance

The following classifications describe the relative strength of the spending constraints:

- **Nonspendable fund balance** - amounts that are not in spendable form or are required to be maintained intact. As such, the inventory and prepaid items have been properly classified in the Governmental Funds Balance Sheet (Exhibit C-1).
- **Restricted fund balance** - amounts that can be spent only for specific purposes because of local, state, or federal laws, or externally imposed conditions by grantors or creditors. The fund balances for the Child Nutrition program, other grant programs, debt service, and capital projects are classified as restricted.
- **Committed fund balance** - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The general fund has committed funds consisting of \$6,654,590 for capital replacement expenditures and/or major maintenance expenditures. In addition the general fund has committed \$3,811,178 for claims and judgments and \$764,302 for other operational expenditures such as Management Information System operational expenditures incurred and for extraordinary and/or other emergency events. The special revenue fund has committed the \$131,736 fund balance of the campus activity fund for use at the campuses per board policy.
- **Assigned fund balance** - amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority.
- **Unassigned fund balance** - amounts that are available for any purpose. Positive numbers are reported only in the general fund.

The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated the budget document as a commitment of the fund. Per Policy CE local, assigned fund balance amounts are established by Assistant Superintendent for Business and Finance.

In circumstances where an expenditure is to be made for a purpose for which amounts are available on multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

Note 1 - Summary of Significant Accounting Policies (continued)

Net Position

Net Position on the Statement of Net Position includes the following:

Net investment in capital assets - this component of net position consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt will be included in this component of net position.

- Restricted for federal and state programs - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, which are restricted by federal and state granting agencies.
- Restricted for Debt Service - this component of net position consists of restricted assets reduced by liabilities related to those assets. The assets arise from bond issuances which have constraints placed on them by the bond covenants for the purpose of future debt service payments.
- Unrestricted net position - this component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

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 database for policy development and funding plans.

In accordance with the Resource Guide, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the Texas State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Resource Guide. Mandatory codes are recorded in the order provided in the Resource Guide.

Use of Estimates

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

Implementation of New Accounting Standards

GASB No. 84 *Fiduciary Activities* was issued in January 2017 and effective for periods beginning December 15, 2019. This standard establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. This standard must be applied retroactively and as such beginning net position and/or fund balance have been restated. The District has evaluated the effects of this standard and has restated its beginning net position

Note 1 - Summary of Significant Accounting Policies (continued)

Implementation of New Accounting Standards (continued)

GASB No. 90 *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61* was issued in August 2018 and effective for periods beginning December 15, 2019. The primary objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. An equity interest is a financial interest in a legally separate organization evidenced by the ownership of shares of the organization's stock or by otherwise having an explicit, measurable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. The District has determined that this Statement does not have an effect on the financial statements as of August 31, 2021.

GASB No. 98 *The Annual Comprehensive Financial Report*. This statement was issued in October 2021 and establishes the term annual comprehensive financial report and its acronym ACFR. This new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This statement is effective for fiscal years ending after December 15, 2021 but earlier application is encouraged. Management evaluated the implementation of this statement and determined that it is not applicable to the District.

Note 2 - Deposits and Investments

Bank Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities are approved by the Texas Education Agency and shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At August 31, 2021, the carrying amount of the District's cash deposits was \$22,089,152 and the bank balance was \$22,268,253. The District's cash deposits were entirely covered by the FDIC or by pledged collateral as of August 31, 2021.

Local Government Investment Pools and Money Market Funds (Cash Equivalents)

For the year ended August 31, 2021, the District invested in the State of Texas TexPool and Texas Association of School Boards Lone Star Investment Pool. TexPool is duly chartered and overseen by the State Comptroller's Office. The State Street Bank is the custodial bank. The portfolio consists of U.S. T-Bills, T-Notes, collateralized repurchase and reverse repurchase agreements, and no-load money market mutual funds regulated by the Securities and Exchange Commission and rated AAA or equivalent by at least one nationally recognized rating service.

Lone Star Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act, is administered by First Public, LLC, and managed by Standish Mellon and American Beacon Advisors. The Bank of New York is the custodial bank. Lone Star Investment Pool is restricted to invest in obligations of the United States or its agencies and instrumentalities; other obligations insured by the United States; fully collateralized repurchase agreements having a defined termination date, secured by obligations described previously; and SEC-registered no-load money market mutual funds, the assets which consist exclusively of the obligations described above.

Note 2 - Deposits and Investments (continued)

Local Government Investment Pools and Money Market Funds (Cash Equivalents) (continued)

Lone Star Corporate Overnight Plus Fund and Lone Star Government Overnight Fund, mutual funds, are duly chartered by the State of Texas Interlocal Cooperation Act and is administered by First Public, LLC, and managed by Bank of New York Mellon and American Beacon Advisors. The Bank of New York is the custodial bank. These mutual funds may invest in all securities authorized under the Investment Act. However, it is the Board's policy not to invest its assets in any one nongovernmental issuer in an amount that exceeds 5 percent of the total fund assets cost. The District also invests in money market mutual funds which are liquid and are therefore classified as cash equivalents. The District reports its local government investment pools at amortized cost as permitted by GASB Statement No. 79 *Certain External Investment Pools and Pool Participants*. In addition, the investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity fees or redemption gates.

Investment Securities

The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. The District further limits its investments to obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, collateralized mortgage obligations, no-load money market mutual funds, certain municipal securities, repurchase agreements, or investment pools. At year-end, the District's cash and investments balances and their respective weighted average maturity, fair value methodology, and credit quality rating were as follows:

	<u>Amount</u>	<u>Percentage of Portfolio</u>	<u>Fair Value Methodology</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Quality Rating</u>
Governmental activities					
Cash and cash equivalents:					
Demand deposits	\$ 21,807,773	24.7%	N/A	N/A	N/A
Money market funds	4,460,217	5.1%	Level 2	20	N/A
Local government investment pools:					
TexPool	722,244	0.8%	Amortized Cost	30	AAAm
Lone Star Government Overnight Fund	830,960	0.9%	Amortized Cost	45	AAAm
Lone Star Corporate Overnight Plus Fund	8,992,641	10.2%	Amortized Cost	75	AAAf/S1+
Total government investment pools	<u>10,545,845</u>	<u>12.0%</u>			
Total cash and cash equivalents	<u>36,813,835</u>	<u>41.8%</u>			
Investment securities:					
Federal National Mortgage Assoc.	1,488,691	1.7%	Level 2	186	Aaa/AA+
Federal Home Loan Mortgage Corp.	1,615,134	1.8%	Level 2	310	Aaa/AA+
Federal Home Loan Bank	3,522,482	4.0%	Level 2	342	Aaa/AA+
Federal Farm Credit Bank	3,759,060	4.3%	Level 2	219	Aaa/AA+
Corporate issues	3,537	0.0%	Level 2	25	Aaa/AA+
US Treasury Securities	17,701,477	20.1%	Level 2	151	Aaa
Municipal Bonds	23,239,141	26.4%	Level 2	204	AA- to AAA
Total investment securities	<u>51,329,522</u>	<u>58.2%</u>			
Total Cash and Investments	<u>\$ 88,143,357</u>	<u>100.0%</u>			

The District also held \$281,379 of bank deposits in the fiduciary funds.

Note 2 - Deposits and Investments (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio as a whole to no more than 360 days, with the exception of bond proceeds that are matched to a specific cash flow; diversification; and by holding securities to maturity.

Credit Risk

State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations.

Custodial credit risk for investments is the risk that, in event of the failure of the counterparty (e.g. broker dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The District's policy requires that a third-party bank trust department hold all securities owned by the District.

The District generally holds all U.S. government securities to maturity. The District did not purchase any derivative investment products during the current year nor participate in any reverse repurchase agreements or security lending agreements during the fiscal year 2021.

Concentration of Credit Risk

The District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

Note 3 - Receivables

Receivables as of year-end for the District's individual major and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund	Total
Property Taxes	\$ 4,817,398	\$ 2,372,748	\$ -	\$ -	\$ 7,190,146
Due from other governments	8,706,542	-	5,884,379	-	14,590,921
Accrued interest	-	-	-	87,693	87,693
Gross Receivables	13,523,940	2,372,748	5,884,379	87,693	21,868,760
Less allowance for doubtful accounts	(481,740)	(237,275)	-	-	(719,015)
Net Total Receivables	\$ 13,042,200	\$ 2,135,473	\$ 5,884,379	\$ 87,693	\$ 21,149,745

Note 4 - Capital Assets

Capital asset activity for the year ended August 31, 2021, was as follows:

	Balance				
	September 1, 2020, As Restated	Additions	(Retirements)	Transfers	Balance August 31, 2021
Capital assets, not being depreciated					
Land	\$ 6,723,608	\$ -	\$ -	\$ -	\$ 6,723,608
Construction in progress	1,359,723	3,696,385	-	(1,359,723)	3,696,385
Total Capital Assets, not being depreciated	<u>8,083,331</u>	<u>3,696,385</u>	<u>-</u>	<u>(1,359,723)</u>	<u>10,419,993</u>
Capital assets, being depreciated					
Buildings and improvements	441,580,135	-	-	1,359,723	442,939,858
Furniture and equipment	43,396,547	1,514,479	-	-	44,911,026
Total Capital Assets, being depreciated	<u>484,976,682</u>	<u>1,514,479</u>	<u>-</u>	<u>1,359,723</u>	<u>487,850,884</u>
Less accumulated depreciation for:					
Buildings and improvements	(147,024,297)	(17,283,217)	-	-	(164,307,514)
Furniture and Equipment	(31,185,577)	(3,505,049)	-	-	(34,690,626)
Total Accumulated Depreciation	<u>(178,209,874)</u>	<u>(20,788,266)</u>	<u>-</u>	<u>-</u>	<u>(198,998,140)</u>
Governmental Capital Assets	<u>\$ 314,850,139</u>	<u>\$ (15,577,402)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 299,272,737</u>

Depreciation expense was charged to functions/programs of the District as follows:

	Function	Depreciation Expense
11	Instruction	\$ 11,007,308
12	Instructional resources and media services	181,674
13	Curriculum and staff development	272,318
21	Instructional leadership	470,277
23	School leadership	1,297,131
31	Guidance, counseling and evaluation services	627,136
32	Social work services	137,318
33	Health services	331,934
34	Student transportation	654,471
35	Food Services	1,186,752
36	Extracurricular activities	438,959
41	General administration	707,683
51	Facilities maintenance and operations	2,591,826
52	Security and monitoring services	332,315
53	Data processing services	476,958
61	Community services	74,206
		<u>\$ 20,788,266</u>

Note 4 - Capital Assets (continued)

Construction Commitments

Project	Approved Construction Budget	Construction in Progress	Remaining Commitment
School Buildings	\$ 33,378,202	\$ 3,468,163	\$ 29,910,039
Other-admin	15,427,007	228,222	15,198,785
	\$ 48,805,209	\$ 3,696,385	\$ 45,108,824

Note 5 - Interfund Receivables, Payables, and Transfers

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll, warehouse ordering and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Activity between the debt service fund and the capital projects fund results primarily from the capital projects fund interest earnings that are used for debt service payments. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

The composition of interfund balances as of August 31, 2021, is as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 6,671,028	\$ 765,084
Special Revenue Fund	765,084	6,671,028
Capital Projects Fund	-	-
	\$ 7,436,112	\$ 7,436,112

Transfers that occurred during the fiscal year ending August 31, 2021 are as follows:

Transfer Out	Transfer In	Amount
General Fund	Special Revenue Fund	\$ 756,369
Special Revenue Fund	General Fund	250,268
		\$ 1,006,637

During the fiscal year, the General Fund transferred \$756,369 into the Special Revenue Fund to cover the District's Child Nutrition Operations. Transfers from the campus activity funds to the General Fund totaled \$250,268.

Note 6 - Long-term Liabilities

Changes in Long-term Liabilities

Long-term liability activity for the year ended August 31, 2021, was as follows:

	Balance September 1, 2020	Additions	Retirements	Balance August 31, 2021	Due Within One Year
General obligation bonds	\$ 366,340,000	\$ 68,795,000	\$ (81,210,000)	\$ 353,925,000	\$ 12,490,000
For issuance premiums/discounts	39,087,823	-	(10,799,576)	28,288,247	-
Accrued compensated absences	1,838,913	675,364	(86,785)	2,427,492	618,988
Accreted interest on premium compound interest bonds	-	14,301,435	213,382	14,514,817	-
Property tax lawsuits settlements	4,262,366	-	(4,262,366)	-	-
Other long-term liability	79,420	-	-	79,420	-
	<u>\$ 411,608,522</u>	<u>\$ 83,771,799</u>	<u>\$ (96,145,345)</u>	<u>\$ 399,234,976</u>	<u>\$ 13,108,988</u>

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities, buses, and to refund general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Bonded long-term debt at August 31, 2021, is comprised of the following individual issues:

Issue	Original Issuance			Debt Outstanding
	Amount	Interest Rate (%)	Maturity Date	
Unlimited Tax Refunding Bonds, Series 2012	\$ 46,480,000	3.50% to 5.00%	2035	\$ 16,610,000
Unlimited Tax School Building Bonds, Series 2015A	89,855,000	1.75% to 5.00%	2045	13,450,000
Unlimited Tax Refunding Bonds, Series 2015B	34,115,000	2.00% to 5.00%	2034	25,485,000
Unlimited Tax School Building Bonds, Series 2016A	41,460,000	2.00% to 5.00%	2045	39,315,000
Unlimited Tax Refunding Bonds, Series 2016B	39,000,000	2.00% to 5.00%	2034	39,000,000
Unlimited Tax Refunding Bonds, Series 2016C	14,050,000	2.00% to 5.00%	2031	12,295,000
Unlimited Tax Refunding Bonds, Series 2016D	27,350,000	4.00% to 5.00%	2039	22,935,000
Unlimited Tax Refunding Bonds, Series 2016E	55,840,000	3.00% to 5.00%	2038	52,800,000
Unlimited Tax School Building Bonds, Series 2019A	43,190,000	3.00% to 5.00%	2049	42,410,000
Unlimited Tax Refunding Bonds, Series 2019B	21,755,000	3.56% to 5.00%	2032	21,755,000
Unlimited Tax Refunding Bonds, Taxable Series 2020A	68,795,000	1.01% to 2.70%	2045	67,870,000
				<u>\$ 353,925,000</u>

Note 6 - Long-term Liabilities (continued)

Changes in Long-term Liabilities (continued)

Annual debt service requirements to maturity for all bonded long-term debt outstanding as of August 31, 2021 as follows:

Year Ending August 31,	Principal	Interest	Totals
2022	\$ 12,490,000	\$ 13,027,334	\$ 25,517,334
2023	12,955,000	12,568,035	25,523,035
2024	13,495,000	12,042,880	25,537,880
2025	14,045,000	12,433,557	26,478,557
2026	14,630,000	11,845,032	26,475,032
2027-2031	73,060,000	59,339,032	132,399,032
2032-2036	99,500,000	28,619,145	128,119,145
2037-2041	65,615,000	12,879,413	78,494,413
2042-2046	40,755,000	4,487,217	45,242,217
2047-2049	7,380,000	450,800	7,830,800
	<u>\$ 353,925,000</u>	<u>\$ 167,692,445</u>	<u>\$ 521,617,445</u>

In fiscal year 2021, the District issued Unlimited Tax Refunding Bonds, Taxable Series 2020A. Proceeds of \$\$82,251,074 were placed in escrow with the refunding agent. The refunded bonds had a carrying value of \$77,863,240. This resulted in a deferred loss on refunding of \$4,387,834. However, the refunding transaction resulted in present value savings of \$9,136,589.

In prior years and during the current years, the District defeased, certain general obligation debt by placing the proceeds of the new bonds in an irrevocable trust, to provide for all future debt service payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the District’s financial statements. At August 31, 2021, \$90,685,000 of the defeased debt remains outstanding.

Motiva Refinery Refund

In fiscal year 2020, the District and Motiva Refinery entered into a settlement agreement on appraised values and agreed to a two-year repayment agreement in the amount of \$8,524,732. The first installment was made in fiscal year 2020 and the final payment will be made in October 2020. The liability is no longer outstanding.

Note 7 - Revenues from Local, Intermediate, and Out-of-State Sources

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals
Property Taxes	\$ 56,225,701	\$ -	\$ 26,298,779	\$ -	\$ 82,524,480
Payments in Lieu of Taxes	5,721,994	-	-	-	5,721,994
Investment Income	127,482	238	17,305	132,159	277,184
Co-curricular Student Activities	60,137	46,876	-	-	107,013
Food Sales	-	100,763	-	-	100,763
Other	20,305	924,628	-	-	944,933
	<u>\$ 62,155,619</u>	<u>\$ 1,072,505</u>	<u>\$ 26,316,084</u>	<u>\$ 132,159</u>	<u>\$ 89,676,367</u>

Note 8 - Defined Benefit Pension Plan

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

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

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

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

Note 8 - Defined Benefit Pension Plan (continued)

Contributions

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

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	2019
Member	7.70%	7.70%
Non-Employer Contributing Entity	7.50%	6.80%
Employers	7.50%	6.80%

	Fiscal Year	
	2021	
	Contributions	
Employer (District)	\$	1,844,672
Employee (Member)		4,423,794
Non-Employer Contributing Entity		
On-Behalf Contributions (State)		3,496,830

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 is an additional surcharge 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.

Note 8 - Defined Benefit Pension Plan (continued)

Actuarial Assumptions

The total pension liability in the August 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019, rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term Expected Rate	7.25%
Municipal Bond Rate as of August 2019	2.33%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in Projection Period (100 years)	2119
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
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. These assumptions are further described the 2020 TRS ACFR, which includes 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 pension plan investments of 7.25 percent. The projection of 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 projected future benefits payment 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.

Note 8 - Defined Benefit Pension Plan (continued)

Discount Rate (continued)

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

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2020 are summarized below:

Asset Class	FY 2020 Target Allocation¹ %	Long-Term Expected Geometric Real Rate of Return²	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 (Including Credit Sensitive Investments)		1.80%	
Stable Value Hedge Funds	5.00%	1.90%	0.11%
Real Return			
Real Estate	15.00%	4.60%	1.01%
Energy, Natural Resources and Infrastructure	6.00%	6.00%	0.42%
Commodities		0.80%	
Risk Parity			
Risk Parity	8.00%	3.00%	0.30%
Asset Allocation 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	<u>100.0%</u>		<u>7.33%</u>

¹Target allocations are based on the FY 2020 policy model.

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

³The volatility drag results from the conversion between arithmetic and geometric mean returns.

Note 8 - Defined Benefit Pension Plan (continued)

Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using the discount rate of 7.25 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

	Discount Rate		
	1% Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
District's proportional share of the net pension liability	\$ 36,867,999	23,909,486	\$ 13,380,977

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

At August 31, 2021, the District reported a liability of \$23,909,486 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	\$ 23,909,486
State's proportionate share that is associated with the District	<u>43,148,324</u>
	<u>\$ 67,057,810</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 District's proportion of the collective net pension liability was 0.04460% which was a decrease of 0.01330% from its proportion measured as of August 31, 2019.

The General and Special Revenue Funds make annual contributions into TRS at the statutorily determined rates. Those contributions are used to liquidate pension liability.

Note 8 - Defined Benefit Pension Plan (continued)

Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2021, the District recognized pension expense of \$3,826,376. The District also recognized an additional on-behalf revenue and expense of \$5,189,785 representing support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 43,657	\$ (667,250)
Changes of assumption	5,547,851	(2,358,908)
Net difference between projected and actual earnings on plan investments	484,027	-
Changes in proportion and differences between District contributions and proportionate share of contributions	5,637,885	(1,323,759)
District contributions subsequent to the measurement date	1,844,672	-
Total	<u>\$ 13,558,092</u>	<u>\$ (4,349,917)</u>

Deferred outflows of resources resulting from District contributions subsequent to the measurement date in the amount of \$1,844,672 will be recognized as a reduction of the net pension liability in the year ended August 31, 2021. The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u>	<u>Pension Expense Amount</u>
2022	\$ 1,085,363
2023	2,053,870
2024	2,000,178
2025	1,222,739
2026	731,167
Thereafter	270,186
	<u>\$ 7,363,503</u>

Note 9 - Defined Other Post-Employment Benefit Plan

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS- Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The 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 Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2020.pdf, or 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 for Retirees		
	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

Note 9 - Defined Other Post-Employment Benefit Plan (continued)

Contributions

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

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25 percent of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .65 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public or charter school. 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	
	2021	2020
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%

	Fiscal Year
	2021
	Contributions
Employer (District)	\$ 562,547
Employee (Member)	373,432
Non-Employer Contributing Entity On-Behalf Contributions (State)	910,802

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.

Note 9 - Defined Other Post-Employment Benefit Plan (continued)

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for 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: (a) Rates of Mortality, (b) Rates of Retirement, (c) Rates of Termination, (d) Rates of Disability, (e) General Inflation, (f) Wage Inflation, and (g) Expected Payroll Growth..

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, 2019, rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	3.05% to 9.05%, including inflation
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 .30 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the nonemployer 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. The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2020 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Note 9 - Defined Other Post-Employment Benefit Plan (continued)

Discount Rate Sensitivity Analysis

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

Discount Rate		
1% Decrease (1.33%)	Current Rate (2.33%)	1% Increase (3.33%)
\$ 33,277,125	\$ 27,730,991	\$ 23,350,340

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

At August 31, 2021, the District reported a liability of \$27,730,991 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	\$ 27,730,991
State's proportionate share that is associated with District	<u>37,263,804</u>
Total	<u>\$ 64,994,795</u>

The Net OPEB Liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District’s proportion of the Net OPEB Liability was based on the District’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2019 through August 31, 2020.

At August 31, 2020, the District’s proportion of the collective Net OPEB Liability was 0.0729% which was a decrease of 0.0077% from its proportion measured as of August 31, 2019.

The General and Special Revenue Funds make annual contributions into TRS at the statutorily determined rates. Those contributions are used to liquidate OPEB liability.

Healthcare Cost Trend Rates – The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the health trend rates assumed.

	Healthcare Cost Trend Rate		
	1% Decrease	Current	1% Increase
District's proportionate share of the Net OPEB Liability:	\$ 22,652,666	\$ 27,730,991	\$ 34,494,601

Note 9 - Defined Other Post-Employment Benefit Plan (continued)

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 (TOL) 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.

Changes of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2021, the District recognized negative OPEB expense of \$979,612. The District also recognized negative on-behalf expense and revenue of \$258,746 representing support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,451,984	\$ (12,691,119)
Changes of assumption	1,710,426	(7,615,073)
Net difference between projected and actual earnings on plan investments	9,011	-
Changes in proportion and differences between District contributions and proportionate share of contributions	98	(4,715,825)
District contributions subsequent to the measurement date	562,547	-
Total	\$ 3,734,066	\$ (25,022,017)

The \$562,547 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. The net amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	OPEB Expense Amount
2022	\$ (3,445,548)
2023	(3,446,753)
2024	(3,447,442)
2025	(3,447,253)
2026	(2,706,550)
Thereafter	(5,356,952)
	\$ (21,850,498)

Note 9 - Defined Other Post-Employment Benefit Plan (continued)

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, 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. For the fiscal years ended August 31, 2021, 2020, and 2019, the subsidy payments received by TRS-Care on-behalf of the District were \$248,350, 243,121, and \$202,632, respectively. The information for the year ended August 31, 2021 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental fund financial statements of the District.

Note 10 - Risk Management

Property/Liability

The District is exposed to various risks of loss related to property/liability losses for which the District carries commercial insurance. In addition, the District participates in the Interlocal Purchasing System (TIPS/TAPS), which provides general liability, auto liability auto physical damage and Crime insurance. The District is also a member of the Texas Association of School Boards Joint Self-Insurance Fund (Fund), which provides Worker's Compensation Insurance. Illinois National provides Educators Legal Liability Insurance. There were no reductions in coverage in the current fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Note 11 - Contingencies

The District receives financial assistance from federal, state, and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund. However, in the opinion of management, such disallowed claims, if any, will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at August 31, 2021.

From time to time, the District is a defendant in legal proceedings relating to its operations as a school district. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and the District's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

Note 12 - Arbitrage

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five-year anniversary date of the bond issue. The District does not have an arbitrage liability as of August 31, 2021.

Note 13 - Operating Leases

The District leases copiers under non-cancelable operating leases. Total costs for operating leases were 383,067 for the year ended August 31, 2021. From this amount only \$504,069 was paid related to the non-cancelable operating leases, the remaining amount of \$504,069 was paid related to annual operating lease agreements. Operating lease obligations are payable from all funds. The future minimum lease payments for the non-cancelable operating leases are as follows:

Year Ending August 31	Amount
2022	12,890
2023	10,740
Total	\$ 23,630

Note 14 - Tax Abatements

Currently, the District has four (4) active Chapter 313 Agreements with corporations for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code, i.e., the Texas Economic Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended. Two of the projects are in the Maintain Viable Presence Period of the Agreements, beginning in Tax Year 2018.

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The project(s) under the Chapter 313 agreement must be consistent with the state’s goal to “encourage large scale capital investments in this state.” Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

In order to qualify for a value limitation agreement, each applicant has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application’s approval, the agreement was found to have done so by both the District’s Board of trustees and the Texas Comptroller’s Office, which recommended approval of the project. The application, the agreements and state reporting requirement documentation can be viewed at the Texas Comptroller’s website:

<https://www.comptroller.texas.gov/economy/local/ch313/agreement-docs.php>. The agreement and all supporting documentation were assigned Texas Comptroller Application number.

Premcor III Hyrdocracker Project’s (Application No. 76) first year value limitation was tax year 2011. The project is no longer in the value limitation as of 2019, with a total project value of \$327,769,100. In the current fiscal year, the applicant’s M&O taxes have been reduced by \$0. The net benefit to the District was the full amount of M&O taxes owed, \$4,809,646

Praxair’s (Application No. 217) first year value limitation was tax year 2015. The project value’s value limitation is \$30,000,000, with a total project value of \$239,555,300. In the current fiscal year, after the application of the tax credit, the applicant’s M&O taxes have been reduced by \$1,698,645. The net benefit to the District was \$849,323. The final year of value limitation for M&O taxation is fiscal year 2023.

Additionally, the District has five pending applications; one with Emerald Renewable Fuels and one with Diamond Green Diesel, a Valero company. Motiva Enterprises LLC has submitted three applications for tax abatement agreements with the District. The first year of value limitations would be 2024.

Note 15 - Prior Period Adjustment

During fiscal year 2021, the District began migrating its capital asset records into its financial software. As part of the process, management determined there was \$3,384,748 in capital assets, net of depreciation that should be removed. Net position has been restated for this amount.

Note 16 - Subsequent Events

COVID-19 - As of September 2, 2021, the Texas Education Agency informed local education agencies (LEAs) that it has no plans to issue missed school day waivers due to COVID-19 during the 2021-2022 school year when the LEA or its campuses are closed. Each LEA will need to plan to make up time for school closures during the school year and may need to add additional instructional days and/or minutes to their calendar to meet the 75,600 operational minute requirement.

LEAs have reported to TEA that attendance rate declines continue to occur due to COVID-19. As a result, TEA is exploring options to ensure school systems will not experience significant financial difficulties. Additionally, LEAs had varying daily rates of attendance during the 2020-2021 school year due to the impact of virtual learning options. Once TEA receives this local information in a PEIMS upload this fall, it will be equipped to analyze, understand, and determine potential changes to the rules around waivers, particularly low attendance waivers. As of the date of this report, the District has not determined the impact.

Bond Issuance – On December 7, 2021, the District issued Unlimited Tax Refunding Bonds, Series 2021 with a par value of \$13,320,000 and a premium of \$2,196,635. The refunding bonds were used to refunded Unlimited Tax Refunding Bonds, Series 2012 principal of \$14,890,000.

REQUIRED SUPPLEMENTARY INFORMATION

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT

Exhibit G-1

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended August 31, 2021

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
		Original	Final		
Revenues					
5700	Local, intermediate, and out-of-state	\$ 66,355,623	\$ 66,355,623	\$ 62,155,619	\$ (4,200,004)
5800	State program revenues	20,919,328	20,919,328	22,049,282	1,129,954
5900	Federal program revenues	1,753,522	1,753,522	4,818,904	3,065,382
5020	Total Revenues	89,028,473	89,028,473	89,023,805	(4,668)
Expenditures					
Current:					
0011	Instruction	48,230,964	50,880,664	47,710,169	3,170,495
0012	Instructional resources and media services	759,911	891,661	735,498	156,163
0013	Curriculum and instructional staff development	676,897	813,150	677,691	135,459
0021	Instructional leadership	2,122,042	2,218,627	2,051,403	167,224
0023	School leadership	5,755,976	6,001,976	5,746,570	255,406
0031	Guidance, counseling and evaluation services	2,844,799	3,030,799	2,853,971	176,828
0032	Social work services	536,458	617,458	524,122	93,336
0033	Health services	1,077,300	1,221,300	1,065,512	155,788
0034	Student transportation	2,768,122	2,203,493	1,762,025	441,468
0035	Food services	-	20,000	9,723	10,277
0036	Extracurricular activities	1,656,364	1,605,864	1,497,053	108,811
0041	General administration	3,370,992	3,689,907	3,604,626	85,281
0051	Facilities maintenance and operations	13,915,350	14,074,624	14,003,947	70,677
0052	Security and monitoring services	1,781,386	1,666,728	1,548,542	118,186
0053	Data processing services	1,835,117	1,877,593	1,780,194	97,399
0061	Community services	158,963	326,258	263,675	62,583
Capital outlay					
0081	Facilities acquisition and construction	16,850	21,850	19,932	1,918
Intergovernmental					
Contracted instructional services between					
0091	public schools	452,983	837,983	308,871	529,112
0095	Payments to Juvenile Justice AEP	108,000	108,000	108,000	-
0099	Payments to appraisal district	960,000	785,000	758,575	26,425
6030	Total Expenditures	89,028,474	92,892,935	87,030,099	5,862,836
1100	Excess (deficiency) of revenues over expenditures	(1)	(3,864,462)	1,993,706	5,858,168
Other Financing Sources (Uses)					
7912	Sale of real and personal property	-	15,000	145,659	130,659
7915	Operating transfers in	-	-	250,268	250,268
8911	Operating transfers out	-	-	(756,369)	(756,369)
8949	Other uses - property tax refunds	-	(3,099,423)	(3,367,269)	(267,846)
7080	Total Other Financing Sources (Uses)	-	(3,084,423)	(3,727,711)	(643,288)
1200	Net change in fund balances	(1)	(6,948,885)	(1,734,005)	5,214,880
0100	Fund Balance - September 1 (Beginning)	38,285,693	38,285,693	38,285,693	-
3000	Fund Balance - August 31 (Ending)	\$ 38,285,692	\$ 31,336,808	\$ 36,551,688	\$ 5,214,880

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION PROGRAM
For the Year Ended August 31, 2021

Exhibit G-2

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
5700	Local, intermediate, and out-of-state	\$ 405,000	\$ 405,000	\$ 101,001	\$ (303,999)
5800	State program revenues	28,000	28,000	27,576	(424)
5900	Federal program revenues	5,957,524	5,957,524	3,499,714	(2,457,810)
5030	Total Revenues	<u>6,390,524</u>	<u>6,390,524</u>	<u>3,628,291</u>	<u>(2,762,233)</u>
Expenditures					
Current:					
0035	Food services	6,390,524	6,390,524	4,384,660	2,005,864
6030	Total Expenditures	<u>6,390,524</u>	<u>6,390,524</u>	<u>4,384,660</u>	<u>2,005,864</u>
1100	Excess (deficiency) of revenues over expenditures	-	-	(756,369)	(756,369)
Other Financing Sources (Uses)					
7915	Operating transfer in	-	-	756,369	756,369
	Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>756,369</u>	<u>756,369</u>
1200	Net change in fund balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY BUDGETARY INFORMATION
August 31, 2021

The District adopts annual appropriations type budgets for the General Fund, Child Nutrition Program included in the Special Revenue Fund, and the Debt Service Fund using the same method of accounting as for financial reporting, as required by law. The General Fund Budget Schedule and the Child Nutrition Program Budget Schedule appear on Exhibit G-1 and G-2, respectively, and the Debt Service Fund Budget Schedule is on Exhibit J-4.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. During the year ended August 31, 2021, the Board of Trustees approved budget amendments increasing expenditures as follows:

	<u>General Fund</u>	<u>Child Nutrition Program</u>	<u>Debt Service Fund</u>
Amendments Approved	\$ 3,864,461	\$ -	\$ -

The administrative level at which responsibility for control of budgeted appropriations begins is at the organizational level within each function of operations. The finance department reviews closely the expenditure requests submitted by the various organizational heads (principal and department heads) throughout the year to ensure proper spending compliance. No public funds of the District shall be expended in any manner other than as provided for in the budget adopted by the Board of Trustees.

The official school budget was prepared for adoption for budgeted governmental fund types by August 31, 2020. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

Encumbrance accounting is utilized in all government fund types. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year-end and encumbrances outstanding at that time are appropriately provided for in the subsequent year’s budget.

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
Last Seven Measurement Years

Exhibit G-3

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.044600%	0.031300%	0.029600%	0.035100%
District's proportionate share of the net pension liability	\$ 23,909,486	\$ 16,247,895	\$ 16,267,100	\$ 11,222,317
State's proportionate share of the net pension liability associated with the District	43,148,324	39,635,983	45,254,942	23,707,097
Total	<u>\$ 67,057,810</u>	<u>\$ 55,883,878</u>	<u>\$ 61,522,042</u>	<u>\$ 34,929,414</u>
District's covered payroll (for Measurement Year)	\$ 56,485,141	\$ 53,991,706	\$ 52,425,792	\$ 50,156,718
District's proportionate share of the net pension liability as a percentage of its covered payroll	42.3%	30.1%	31.0%	22.4%
Plan fiduciary net position as a percentage of the total pension liability *	75.54%	75.24%	73.74%	82.17%
Plan's net pension liability as a percentage of covered payroll *	110.36%	114.93%	126.11%	75.93%
	<u>2016</u>	<u>2015</u>	<u>2014</u>	
District's proportion of the net pension liability	0.033100%	0.032884%	0.038821%	
District's proportionate share of the net pension liability	\$ 12,496,047	\$ 11,623,986	\$ 10,371,816	
State's proportionate share of the net pension liability associated with the District	29,351,981	28,179,603	25,590,134	
Total	<u>\$ 41,848,028</u>	<u>\$ 39,803,589</u>	<u>\$ 35,961,950</u>	
District's covered payroll (for Measurement Year)	\$ 49,326,749	\$ 47,813,903	\$ 49,184,516	
District's proportionate share of the net pension liability as a percentage of its covered payroll	25.3%	24.3%	21.1%	
Plan fiduciary net position as a percentage of the total pension liability *	78.00%	78.43%	83.25%	
Plan's net pension liability as a percentage of covered payroll *	92.75%	91.94%	72.89%	

Notes: Amounts will be presented prospectively in accordance with GASB 68.
The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

* Per Teacher Retirement System of Texas' comprehensive annual financial report.

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
Last Ten Fiscal Years

Exhibit G-4

	<u>2021</u>	<u>2020¹</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 1,844,672	\$ 1,850,743	\$ 1,009,198	\$ 986,936	\$ 1,142,461
Contributions in relation to the contractual required contributions	1,844,672	1,850,743	1,009,198	986,936	1,142,461
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 57,451,765	\$ 56,485,141	\$ 53,991,706	\$ 52,425,792	\$ 50,156,718
Contributions as a percentage of covered payroll	3.21%	3.28%	1.87%	1.88%	2.28%
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contributions	\$ 1,050,178	\$ 973,705	\$ 984,427	\$ 797,769	\$ 770,625
Contributions in relation to the contractual required contributions	1,050,178	973,705	984,427	797,769	770,625
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 49,326,747	\$ 47,813,903	\$ 49,184,516	\$ 48,277,029	\$ 50,928,308
Contributions as a percentage of covered payroll	2.13%	2.04%	2.00%	1.65%	1.51%

¹ The District began paying the Public Education Employers Contribution (formerly RE Payment for Non-OASDI Members Contribution) due to legislation changes in House Bill 3. This became a requirement for all non-higher education reporting entities regardless of whether or not they pay social security on their TRS members.

Changes of Assumptions

- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

Changes in Benefit Terms

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

Other Information

Effective September 1, 2014, employers who did not contribute to Social Security for TRS-eligible employees were required to contribute an additional 1.5% of TRS-eligible compensation which nearly doubled the District's contributions into the Plan. Because the District's proportional share of the plan is determined by its proportional share of contributions, the District recognized a corresponding increase in its share of net pension liability.

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
Last Four Measurement Years

Exhibit G-5

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.072900%	0.080600%	0.081460%	0.081500%
District's proportionate share of the net OPEB liability	\$ 27,730,991	\$ 38,131,457	\$ 40,674,334	\$ 35,442,346
State's proportionate share of the net OPEB liability associated with the District	37,263,804	50,668,182	42,046,570	36,497,126
Total	<u>\$ 64,994,795</u>	<u>\$ 88,799,639</u>	<u>\$ 82,720,904</u>	<u>\$ 71,939,472</u>
District's covered payroll (for Measurement Year)	\$ 56,485,141	\$ 53,991,706	\$ 52,425,792	\$ 50,156,718
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	49.1%	70.6%	77.6%	70.7%
Plan fiduciary net position as a percentage of the total OPEB liability *	4.99%	2.66%	1.57%	0.91%
Plan's net OPEB liability as a percentage of covered payroll *	101.46%	135.21%	146.64%	132.55%

Notes: Amounts will be presented prospectively in accordance with GASB 75.
The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

* Per Teacher Retirement System of Texas' comprehensive annual financial report.

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
Last Ten Fiscal Years

Exhibit G-6

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 562,547	\$ 556,649	\$ 554,051	\$ 561,297	\$ 423,738
Contributions in relation to the contractual required contributions	562,547	556,649	554,051	561,297	423,738
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 57,451,765	\$ 56,485,141	\$ 53,991,706	\$ 52,425,792	\$ 50,156,718
Contributions as a percentage of covered payroll	0.98%	0.99%	1.03%	1.07%	0.84%
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contributions	\$ 442,157	\$ 324,855	\$ 333,980	\$ 368,444	\$ 347,146
Contributions in relation to the contractual required contributions	442,157	324,855	333,980	368,444	347,146
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 49,326,747	\$ 47,813,903	\$ 49,184,516	\$ 48,277,029	\$ 50,928,308
Contributions as a percentage of covered payroll	0.90%	0.68%	0.68%	0.76%	0.68%

Changes of Assumptions

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

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

Changes of Benefit Terms

The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

REQUIRED TEA SCHEDULES

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2021

Exhibit J-1
Page 1 of 2

Last Ten Fiscal Years	1		2	3	10
	Tax Rates		Debt Service	Net Assessed/Appraised Value For School Tax Purposes	Beginning Balance 9/1/20
	Maintenance				
2012 and prior	Various	Various	Various	\$	1,901,465
2013	1.040000	0.327600	5,039,626,855		328,530
2014	1.040000	0.312600	5,541,350,428		430,826
2015	1.040000	0.313120	4,973,881,624		444,312
2016	1.040000	0.313480	4,749,619,404		459,455
2017	1.040000	0.313140	4,416,465,751		525,137
2018	1.170000	0.310987	4,281,278,094		765,700
2019	1.170000	0.315090	6,201,976,513		937,914
2020 ¹	1.068350	0.412540	5,550,038,374		1,450,097
2021	1.086400	0.500000	5,177,916,982		-
1000 Totals				\$	7,243,436

¹ This row includes \$8.9 million in refunds due to settlements as a result of reappraisals.

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2021

Exhibit J-1
Page 2 of 2

	20	31	32	40	50
<u>Last Ten Fiscal Years</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 8/31/21</u>
2012 and prior	\$ -	\$ 88,426	\$ 27,924	\$ (223,963)	\$ 1,561,152
2013	-	22,369	6,723	(6,587)	292,851
2014	-	30,597	9,212	(40,262)	350,755
2015	-	44,966	13,554	(5,295)	380,497
2016	-	47,854	14,409	(4,944)	392,248
2017	-	61,755	18,614	(7,448)	437,320
2018	-	135,504	36,017	(7,966)	586,213
2019	-	146,738	39,518	(40,386)	711,272
2020 ¹	-	266,529	102,919	(112,249)	968,400
2021	<u>82,142,475</u>	<u>54,777,545</u>	<u>25,855,492</u>	<u>-</u>	<u>1,509,438</u>
1000 Totals	\$ <u>82,142,475</u>	\$ <u>55,622,283</u>	\$ <u>26,124,382</u>	\$ <u>(449,100)</u>	\$ <u>7,190,146</u>

¹ This row includes \$8.9 million in refunds due to settlements as a result of reappraisals.

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
For the Year Ended August 31, 2021

Exhibit J-2

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
5700	Local, Intermediate, and Out-of-State	\$ 27,064,550	\$ 27,064,550	\$ 26,316,084	\$ (748,466)
5800	State Program Revenues	292,825	292,825	330,156	37,331
5900	Federal Program Revenues	-	-	-	-
5030	Total Revenues	<u>27,357,375</u>	<u>27,357,375</u>	<u>26,646,240</u>	<u>(711,135)</u>
Expenditures					
Debt Service:					
0071	Principal on long-term debt	12,503,000	12,503,000	12,415,000	88,000
0072	Interest on long-term debt	14,549,550	14,426,550	13,135,145	1,291,405
0073	Bond issuance costs and fees	304,825	427,825	857,905	(430,080)
6030	Total Expenditures	<u>27,357,375</u>	<u>27,357,375</u>	<u>26,408,050</u>	<u>949,325</u>
1100	Excess (Deficiency) Revenues Over Expenditures	-	-	238,190	238,190
Other Financing Sources (Uses)					
7901	Issuance of refunding bonds	-	-	68,795,000	68,795,000
7916	Premium on bonds issued	-	-	14,301,435	14,301,435
8949	Other uses - property tax refunds	-	(895,097)	(895,097)	-
8949	Other uses - payment to escrow agent	-	-	(82,251,074)	(82,251,074)
	Total Other Financing Sources (Uses)	<u>-</u>	<u>(895,097)</u>	<u>(49,736)</u>	<u>845,361</u>
1200	Net change in fund balances	-	(895,097)	188,454	1,083,551
0100	Fund Balance - September 1 (Beginning)	<u>1,830,476</u>	<u>1,830,476</u>	<u>1,830,476</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 1,830,476</u>	<u>\$ 935,379</u>	<u>\$ 2,018,930</u>	<u>\$ 1,083,551</u>

FEDERAL AWARDS SECTION



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

To the Board of Trustees
Port Arthur Independent School District
Port Arthur, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and by 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 Port Arthur Independent School District (the “District”) as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated January 27, 2022.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

To the Board of Trustees
Port Arthur Independent School District

Compliance and Other Matters

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

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of the 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.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive style with a large, stylized "P" for "Penn".

Houston, Texas
January 27, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees
Port Arthur Independent School District
Port Arthur, Texas

Report on Compliance for Each Major Federal Program

We have audited Port Arthur Independent School District's (the "District") compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit 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"). 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 included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2021.

To the Board of Trustees
Port Arthur Independent School District

Report on Internal Control over Compliance

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

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

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

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



Houston, Texas
January 27, 2022

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended August 31, 2021

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	No

Identification of major programs:

Name of Federal Program:	Assistance Listing Number:
United States Department of Education	
Title I, Part A and Title I, 1003 School Improvement	84.010A
ESSER I CARES Act (COVID-19)	84.425D
ESSER II – CRRSA Act (COVID-19)	84.425D
ESSER III – ARP Act (COVID-19)	84.425U
Coronavirus Relief Fund – Prior Purchase Reimbursement Program (COVID-19)	84.425D
United States Department of Treasury	
Coronavirus Relief Fund – Bulk Purchase Program (COVID-19)	21.019
United States Department of Homeland Security	
Federal Emergency Management Agency – Disaster Grants – Public Assistance	97.036
Dollar Threshold Considered Between Type A and Type B Federal Programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2021

II. Financial Statement Findings

None reported.

III. Federal Award Findings and Questioned Costs

None reported.

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2021

Exhibit K-1
Page 1 of 2

Fund Code	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal Assistance Listing Number	(2a) NOGA ID/ Pass-Through Entity Identifying Number	(3) Federal Expenditures
U.S. Department of Agriculture				
Passed through the Texas Education Agency:				
240	School Breakfast Program - Cash Assistance	10.553	71402101	\$ 775,806
240	School Lunch Program - Cash Assistance	10.555	71302101	2,052,278
Passed through the Texas Department of Agriculture:				
240	Emergency Operational Costs (COVID-19)	10.555	00513	393,727
240	USDA Commodities - Non-Cash Assistance	10.555	00513	277,903
	Total Child Nutrition Cluster (ALN - 10.553, 10.555)			<u>3,499,714</u>
Total U.S. Department of Agriculture				<u>3,499,714</u>
U.S. Department of Defense				
288	Naval JROTC	12.000	N/A	72,562
Total U.S. Department of Defense				<u>72,562</u>
U.S. Department of Treasury				
Passed through the Texas Education Agency:				
165	Coronavirus Relief Fund - Bulk Purchase Program (COVID-19)	21.019	52202002	969,476
165	Coronavirus Relief Fund - Bulk Purchase Program TEA Match (COVID-19)	21.019	52202002	200,000
Passed through the City of Port Arthur				
165	Coronavirus Relief Fund - Bulk Purchase Program Local Match (COVID-19)	21.019	52202002	200,000
Passed through the Texas Department of Emergency Management:				
165	Coronavirus Relief Fund (COVID-19)	21.019	123907	368,940
	Total ALN 21.019			<u>1,738,416</u>
Total U.S. Department of Treasury				<u>1,738,416</u>
U.S. Department of Education				
Passed through the Texas Education Agency:				
211	Title I, Part A-Improving Basic Programs	84.010A	20610101123907	810,746
211	Title I, Part A-Improving Basic Programs	84.010A	21610101123907	1,645,026
211	Title I, 1003 (School Improvement)	84.010A	21610141123907	114,277
	Total ALN 84.010			<u>2,570,049</u>
212	Title I Part C-Migrant	84.011A	20615001123907	43,808
212	Title I Part C-Migrant	84.011A	21615001123907	129,381
212	MEP AIIMS	84.011A	196150207110007	7,223
	Total ALN 84.011			<u>180,412</u>
224	IDEA Part B, Formula	84.027A	206600011239076600	131,223
224	IDEA Part B, Formula	84.027A	216600011239076600	1,187,364
225	IDEA Part B, Preschool	84.173A	206610011239076610	8,183
225	IDEA Part B, Preschool	84.173A	216610011239076610	29,079
	Total Special Education Cluster (ALN 84.027, 84.173)			<u>1,355,849</u>
244	Carl D. Perkins	84.048A	2142006123907	116,375
255	Title II, Part A-Supporting Effective Instruction	84.367A	20694501123907	33,137
263	Title III, Part A-English Language Acquisition	84.365A	20671001123907	92,732
263	Title III, Part A-English Language Acquisition	84.365A	21671001123907	66,441
	Total ALN 84.365			<u>159,173</u>

*ALN formerly known as CFDA #.

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2021

Exhibit K-1
Page 2 of 2

Fund Code	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal Assistance Listing Number	(2a) NOGA ID/ Pass-Through Entity Identifying Number	(3) Federal Expenditures
U.S. Department of Education (continued)				
Passed through the Texas Education Agency: (continued)				
266	ESSER I CARES Act (COVID-19)	84.425D	20521001123907	30,449
165	ESSER I CARES Act (COVID-19)	84.425D	20521001123907	55,000
165	Prior Purchase Reimbursement Program ESSER I CARES Act (COVID-19)	84.425D	52102035	964,313
281	ESSER II CRRSA Act (COVID-19)	84.425D	21521001123907	1,404,207
282	ESSER III ARP Act (COVID-19)	84.425U	21528001123907	2,070,921
	Total ALN 84.425			<u>4,524,890</u>
276	Instructional Continuity	84.377A	17610740123907	52,801
289	Title IV, Part A	84.424A	20680101123907	146,160
	Total U.S. Department of Education			<u>9,138,846</u>
U.S. Department of Health and Human Services				
205	Head Start	93.600	06CH011224-02	2,421,057
205	Head Start - COVID	93.600	06CH011224-02C	286,882
	Total Head Start Cluster ALN 93.600			<u>2,707,939</u>
199	Medical Assistance Program (Medicaid; Title XIX)	93.778	N/A	39,107
	Total Medicaid Cluster ALN 93.778			<u>39,107</u>
	Total U.S. Department of Health and Human Services			<u>2,747,046</u>
U.S. Department of Homeland Security				
164	Federal Emergency Management Agency - Disaster Grants - Public Assistance	97.036	4332DRTXP0000001	801,521
	Total U.S. Department of Homeland Security			<u>801,521</u>
	Total Expenditures of Federal Awards			<u>\$ 17,998,105</u>

*ALN formerly known as CFDA #.

Note 1 -Basis of Accounting

The District accounts for all awards under federal programs in the General and Special Revenue Fund in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such amounts are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods. The District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2021. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 3 - Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal awards program per Exhibit K-1 and expenditures reported on Exhibit C-3:

Total Expenditures of Federal Awards	\$	17,998,105
SHARS		1,014,128
Reconciled Balance	\$	<u>19,012,233</u>
Related Expenditures on Exhibit C-3:		
General Fund	\$	4,818,904
Special Revenue Fund		14,193,329
Reconciled Balance	\$	<u>19,012,233</u>

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

Exhibit K-2

Note 4 - General Fund Expenditures

Federal Awards reported in the general fund are summarized as follows:

Program or Source	Assistance Listing Number	Amount
Early Head Start Program	93.600	\$ 121,212
Indirect Cost	N/A	85,207
Federal Emergency Management Agency - Disaster Grants Public Assistance	97.036	801,521
ESSER I CARES Act (COVID-19)	84.425D	55,000
Coronavirus Relief Fund - Bulk Purchase Program TEA Match (COVID-19)	21.019	200,000
Coronavirus Relief Fund - Bulk Purchase Program (COVID-19)	21.019	969,476
PPRP CARES Act - COVID	84.425D	964,313
Coronavirus Relief Fund - Bulk Purchase Program Local Match (COVID-19)	21.019	200,000
Coronavirus Relief Fund Local Match (COVID-19)	21.019	368,940
Medical Assistance Program (Medicaid; Title XIX)	93.778	39,107
School Health and Related Services Program (SHARS)	N/A	1,014,128
		\$ 4,818,904

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended August 31, 2021

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings." The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit's schedule of findings and questioned costs and
- All audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected.

I. Prior Audit Findings

None Noted

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

For the Year Ended August 31, 2021

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, "At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports."

I. Corrective Action Plan

Not Applicable.

Schedule L-1 – Required Responses to Selected School FIRST Indicators

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$14,514,817

NOTE: This schedule is to be included as part of the annual financial audit report (AFR) submission on the required due date and published as a part of the school district's AFR. This schedule should be submitted in the data feed file and submitted as an Adobe Acrobat portable document file (pdf).