

ANNUAL FINANCIAL REPORT

of the

**MAGNOLIA
INDEPENDENT SCHOOL DISTRICT**

For the Year Ended
August 31, 2021

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MAGNOLIA INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS

August 31, 2021

	<u>Page</u>	<u>Exhibit</u>
<u>INTRODUCTORY SECTION</u>		
Certificate of Board	3	
<u>FINANCIAL SECTION</u>		
Independent Auditors' Report	7	
Management's Discussion and Analysis (Required Supplementary Information)	13	
<u>BASIC FINANCIAL STATEMENTS</u>		
Government-Wide Financial Statements		
Statement of Net Position	23	A-1
Statement of Activities	25	B-1
Fund Financial Statements		
Governmental Funds Financial Statements		
Balance Sheet – Governmental Funds	26	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	29	C-1R
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	30	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	33	C-3
Proprietary Fund Financial Statements		
Statement of Net Position – Internal Service Funds	35	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Funds	37	D-2
Statement of Cash Flows – Internal Service Funds	39	D-3
Fiduciary Fund Financial Statements		
Statement of Fiduciary Net Position – Fiduciary Funds	41	E-1
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	43	E-2
Notes to Financial Statements	45	
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	75	G-1
Schedule of the District's Proportionate Share of the Net Pension Liability – Teacher Retirement System of Texas	76	G-2
Schedule of District Contributions – Teacher Retirement System of Texas	78	G-3
Schedule of the District's Proportionate Share of the Net OPEB Liability – Texas Public School Retired Employees Group Insurance Program ("TRS-Care")	81	G-4
Schedule of Contributions – Texas Public School Retired Employees Group Insurance Program ("TRS-Care")	83	G-5

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS (Continued)

August 31, 2021

	<u>Page</u>	<u>Exhibit</u>
<u>OTHER SUPPLEMENTARY INFORMATION</u>		
Combining Balance Sheet – Nonmajor Governmental Funds	86	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	90	H-2
Combining Statement of Net Position – Nonmajor Internal Service Funds	94	H-3
Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Internal Service Funds	96	H-4
Combining Statement of Cash Flows – Nonmajor Internal Service Funds	98	H-5
Combining Statement of Fiduciary Net Position – Fiduciary Funds	101	H-6
Combining Statement of Changes in Fiduciary Net Position – Fiduciary Funds	103	H-7
Schedule of Delinquent Taxes Receivable	104	J-1
Budgetary Comparison Schedule – National School Breakfast and Lunch Program	107	J-2
Budgetary Comparison Schedule – Debt Service Fund	109	J-3
Use of Funds Report for Select State Allotment Programs	111	J-4
<u>FEDERAL AWARDS AND COMPLIANCE SECTION</u>		
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	115	
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	117	
Summary Schedule of Prior Year Audit Findings	119	
Schedule of Findings and Questioned Costs	121	
Schedule of Expenditures of Federal Awards	123	K-1
Notes to Schedule of Expenditures of Federal Awards	125	
Schedule of Required Responses to Selected School First Indicators	127	L-1

INTRODUCTORY SECTION

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CERTIFICATE OF BOARD

Magnolia Independent School District

Name of School District

Montgomery

County

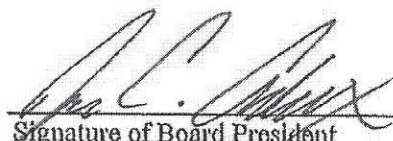
170-906

Co. Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2021, at a meeting of the Board of Trustees of such school district on the 18th day of January, 2022



Signature of Board Secretary



Signature of Board President

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

(attach list as necessary)

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Magnolia Independent School District:

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

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedules of the District's proportionate share of the net pension and other postemployment benefits liability, and schedules of District contributions, identified as Required Supplementary Information on 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, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other supplementary information, and the schedule of required responses to selected school first indicators are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The introductory section and the schedule of required responses to selected school first indicators have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
January 7, 2022

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***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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MAGNOLIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended August 31, 2021

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of Magnolia Independent School District (the "District") for the year ending August 31, 2021. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position at August 31, 2021 was \$29,627,419.
- For the fiscal year ended August 31, 2021, the District's general fund reported a total fund balance of \$37,413,972, of which \$37,391,923 is unassigned, and \$22,049 is nonspendable.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds, the debt service fund, and the capital projects fund) reported combined ending fund balances of \$51,578,429.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information*. The basic statements include two kinds of statements that present different views of the District.

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the District as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the District as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2021

District's financial statements, report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other nonfinancial factors, such as changes in the District's tax base, staffing patterns, enrollment, and attendance, need to be considered in order to assess the overall health of the District.

The Statement of Activities presents information showing how the District's net position changed during the most recent 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 – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities include the following class of activities:

Governmental Activities – Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operations and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State foundation program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detail information about the District's most significant funds – not the District as a whole. Funds are simply accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees (the "Board") establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity – these assets do not belong to the District, but the District is responsible to properly account for them.

The District has the following kinds of funds:

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

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2021

provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

- *Proprietary funds – Internal service funds* are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses internal service funds to account for workers' compensation self-insurance claims and fees, the after school program, the natatorium and the District's health plan. The internal service funds are included within *governmental activities* in the government-wide financial statements.
- *Fiduciary funds* – The District serves as the trustee, or fiduciary, for certain funds such as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$29,627,419 at year end. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the year. *Table 1* indicates the overall condition of the District increased. *Table 2* reflects the District reporting an increase in total revenue of \$10,329,003, which was mainly the result of increases in grant revenue primarily related to COVID-19 funding from the federal government. The District also reported a decrease of \$4,933,148 in total expenses, which is primarily the result of decreases in expenses recognized in relation to on-behalf payments from the State for the pension and other postemployment benefits, as well as a decrease in interest expense related to the refunding debt issued in fiscal year 2021.

Description	Governmental Activities		Total Change
	2021	2020	2021-2020
Current assets	\$ 61,422,434	\$ 55,462,688	\$ 5,959,746
Capital assets	207,176,825	209,091,382	(1,914,557)
Total Assets	268,599,259	264,554,070	4,045,189
Deferred charge on refunding	9,963,785	5,387,746	4,576,039
Deferred outflows - pensions	16,672,417	19,938,898	(3,266,481)
Deferred outflows - OPEB	7,475,124	5,411,479	2,063,645
Total Deferred Outflows of Resources	34,111,326	30,738,123	3,373,203
Current liabilities	7,952,188	4,814,873	3,137,315
Long-term liabilities	232,266,424	256,153,427	(23,887,003)
Total Liabilities	240,218,612	260,968,300	(20,749,688)
Deferred inflows - pensions	5,250,577	6,555,846	(1,305,269)
Deferred inflows - OPEB	27,613,977	19,674,342	7,939,635
Total Deferred Inflows of Resources	32,864,554	26,230,188	6,634,366
Net Position:			
Net investment in capital assets	62,293,918	44,599,305	17,694,613
Restricted	13,175,703	11,741,227	1,434,476
Unrestricted	(45,842,202)	(48,246,827)	2,404,625
Total Net Position	\$ 29,627,419	\$ 8,093,705	\$ 21,533,714

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2021

Table 2

Changes in Net Position

	Governmental Activities		Total Change
	2021	2020	2021-2020
Revenues			
Program revenues:			
Charges for services	\$ 724,245	\$ 1,319,595	\$ (595,350)
Operating grants and contributions	27,159,765	14,444,316	12,715,449
General revenues:			
Property taxes	95,358,767	90,790,298	4,568,469
Grants and contributions not restricted	49,945,057	57,479,627	(7,534,570)
Investment earnings	62,882	689,663	(626,781)
Miscellaneous local and intermediate revenue	3,137,563	1,335,777	1,801,786
Total Revenue	176,388,279	166,059,276	10,329,003
Expenses			
Instruction	91,381,904	92,858,199	(1,476,295)
Instructional resources and media services	1,172,090	1,446,105	(274,015)
Curriculum and staff development	1,536,699	1,540,337	(3,638)
Instructional leadership	1,870,209	1,873,995	(3,786)
School leadership	7,762,924	7,888,465	(125,541)
Guidance, counseling, and evaluation services	5,349,374	5,404,904	(55,530)
Social work/health services	1,396,930	1,305,793	91,137
Student (pupil) transportation	9,459,695	8,352,258	1,107,437
Food services	6,231,699	6,401,380	(169,681)
Cocurricular/extracurricular activities	3,049,213	3,463,807	(414,594)
General administration	3,843,294	4,008,015	(164,721)
Plant maintenance and operations	14,676,428	14,289,962	386,466
Security and monitoring	1,086,353	1,441,373	(355,020)
Data processing services	3,238,866	3,578,450	(339,584)
Community services	189,056	-	189,056
Interest on long-term debt	2,609,831	5,934,670	(3,324,839)
Total Expenses	154,854,565	159,787,713	(4,933,148)
Change in Net Position	21,533,714	6,271,563	15,262,151
Beginning net position	8,093,705	1,822,142	6,271,563
Ending Net Position	\$ 29,627,419	\$ 8,093,705	\$ 21,533,714

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2021

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2021, the District's governmental funds reported a combined fund balance of \$51,578,429. This compares to a combined fund balance of \$48,713,979 at August 31, 2020. The fund balance in the general fund increased primarily due to property tax revenues and insurance recoveries along with less operational expenditures than anticipated. The debt service fund fund balance increase is primarily related to an increase in property tax revenue. The capital projects fund fund balance decrease is primarily related to the use of funds for repair initiatives throughout the District. The elementary and secondary school emergency relief funds (ESSER) II and III were new in fiscal year 2021. These funds are used to track the revenue and associated expenditures related to Coronavirus Aid from the federal government. These funds ended the year with ending fund balances of zero.

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service fund. The District budgets the capital projects fund for each *project*, which normally cover multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2021, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. There were no material changes between the original budget and the final amended budget. The general fund's budgeted revenues exceeded actual revenues by \$5,163,901 primarily due to greater federal program revenue budgeted than actually received along with more insurance recovery local revenues than expected. The budgeted expenditures exceeded actual expenditures by \$1,354,172 due primarily to less overall expenditures across all functions than anticipated.

CAPITAL ASSETS

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost of an amount determined by the Board. Donated capital assets are recorded at acquisition value at the date of donation. During the fiscal year ended August 31, 2021, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At August 31, 2021, the District had a total of \$207,176,825 invested in capital assets (net of depreciation) such as land, buildings, and District equipment. This total includes capital assets not being depreciated in the amount of \$12,600,705.

More detailed information about the District's capital assets can be found in the notes to the financial statements.

LONG-TERM DEBT

At year end, the District had \$138,065,000 in general obligation bonds outstanding versus \$150,165,000 last year. The District issued series 2020A and 2020B refunding bonds during the current year to partially refund the outstanding series 2013 and 2016 bonds.

More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2021

ECONOMIC FACTORS AND THE NEXT YEAR'S BUDGET AND RATES

The following factors were considered in establishing the District's budget for 2021-22:

- This is the first year under HB 1525. Known as the *HB 3 cleanup bill*, the bill corrected some unintended consequences of HB 3. The result was the same funding for districts as with the previous two fiscal years in terms of per student allocation.
- Within HB 1525, the continuation of M&O tax rate compression, and the district's reliance on formula transition grant (from HB 3) funding; an increase in student enrollment is the only avenue to enhance the district's overall revenue picture.
- In large part due to the COVID-19 pandemic, MISD had a decrease in student enrollment in the 20-21 school year of 168 students.
- For budgetary purposes, the anticipated student average daily attendance increase for 21-22 was conservatively approximated at 300 students. As of the end of the third six weeks, the actual ADA has increased over 550 students, which favorably positions the budget for year-end purposes.
- In an attempt to remain competitive with surrounding districts in terms of attracting and retaining the best and brightest talent yet to also protect the district against an economic downturn; all employees will receive a 2% raise and two - \$1,000 retention bonuses.
- For the second year, the District is offering employees an alternative health insurance option supplemental to the state provided plan. The new alt medical plan provides employees with favorable coverage for attractive rates. The District provides a competitive \$350 per month for employee health insurance premium assistance, regardless of district offered plan selection.
- In addition to health insurance, the district provides \$10,000 of life insurance coverage to full-time employees at no cost to the employee. Supplemental insurance is offered from variously selected vendors based on cost savings and plan details as chosen after competitive procurement by District administration.
- The District's 2021 certified net taxable value for ad valorem tax purposes is \$8.6 billion, representing an increase of approximately \$900 mil, or approximately 10% higher versus the previous tax year. According to the MCAD, this increase is a result of a combination of (a) new properties on the role, (b) market-driven increases on existing properties, and (c) commercial revaluations on existing properties.
- In adherence with HB 1525 property tax relief requirements, the District's M&O tax rate for 2021-22 decreased \$0.0572, from \$0.9349/\$100 to \$0.8777/\$100 while the I&S rate decreased from \$0.3395 to \$0.3095. This represents a decrease in the overall property tax rate of \$0.0872 per \$100 valuation, from \$1.277 to \$1.1872. This total tax rate positions the Magnolia ISD as one of the lowest rates in the greater Houston area.
- The District once again received a "Superior Achievement" for an "A" rating, including a score of 98/100, on the T.E.A.'s School FIRST accountability rating system (for Fiscal '20).
- District officials remain committed to an aggressive bond defeasance plan in order to save interest on bond payments resulting in taxpayer savings.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2021

- The district is governed by a well-trained, informed, dedicated, and student-focused Board of Trustees and administrative staff..

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dr. Erich Morris, Assistant Superintendent, at 31141 Nichols Sawmill Road, Magnolia, Texas 77353 or by calling (281) 356-8485.

BASIC FINANCIAL STATEMENTS

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION - EXHIBIT A-1

August 31, 2021

1

Data Control Codes		Governmental Activities
<u>Assets</u>		
1110	Cash and cash equivalents	\$ 48,446,921
1220	Property taxes receivable (delinquent)	2,609,984
1230	Allowance for uncollectible taxes	(496,694)
1240	Due from other governments	10,834,340
1290	Other receivables	5,834
1300	Inventories, at cost	20,708
1410	Prepaid items	1,341
		<u>61,422,434</u>
	Capital assets:	
1510	Land	12,600,705
1520	Buildings, net	187,078,591
1530	Furniture and equipment, net	2,648,226
1540	Vehicles, net	4,849,303
		<u>207,176,825</u>
1000	Total Assets	<u>268,599,259</u>
<u>Deferred Outflows of Resources</u>		
1700	Deferred charge on refunding	9,963,785
1705	Deferred outflows - pensions	16,672,417
1710	Deferred outflows - OPEB	7,475,124
		<u>34,111,326</u>
<u>Liabilities</u>		
2110	Accounts payable	1,235,591
2140	Interest payable	230,949
2160	Accrued wages payable	3,371,234
2180	Due to other governments	2,871,744
2200	Accrued expenses	242,670
		<u>7,952,188</u>
	Noncurrent liabilities:	
2501	Long-term liabilities due within one year	9,615,000
2502	Long-term liabilities due in more than one year	146,510,931
2540	Net pension liability	39,364,230
2545	Net OPEB liability	36,776,263
2000	Total Liabilities	<u>240,218,612</u>
<u>Deferred Inflows of Resources</u>		
2605	Deferred inflows - pensions	5,250,577
2610	Deferred inflows - OPEB	27,613,977
		<u>32,864,554</u>
<u>Net Position</u>		
3200	Net investment in capital assets	62,293,918
	Restricted for:	
3820	State and federal programs	2,286,366
3850	Debt service	9,997,236
3870	Campus activities	892,101
3900	Unrestricted	(45,842,202)
3000	Total Net Position	<u>\$ 29,627,419</u>

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES - EXHIBIT B-1

For the Year Ended August 31, 2021

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		6 Primary Gov. Governmental Activities	Net (Expense) Revenue and Changes in Net Position
			3 Charges for Services	4 Operating Grants and Contributions		
	Primary Government					
	Governmental Activities					
11	Instruction	\$ 91,381,904	\$ -	\$ 17,149,025	\$ (74,232,879)	
12	Instructional resources					
12	and media services	1,172,090	-	1,500	(1,170,590)	
13	Curriculum/instructional					
13	staff development	1,536,699	-	22,781	(1,513,918)	
21	Instructional leadership	1,870,209	-	120,775	(1,749,434)	
23	School leadership	7,762,924	-	261,408	(7,501,516)	
31	Guidance, counseling, and					
31	evaluation services	5,349,374	-	201,115	(5,148,259)	
33	Health services	1,396,930	-	161,331	(1,235,599)	
34	Student (pupil) transportation	9,459,695	-	1,504,357	(7,955,338)	
35	Food services	6,231,699	444,323	6,561,390	774,014	
36	Extracurricular activities	3,049,213	279,922	302,863	(2,466,428)	
41	General administration	3,843,294	-	44,495	(3,798,799)	
51	Plant maintenance and operations	14,676,428	-	390,728	(14,285,700)	
52	Security and monitoring services	1,086,353	-	-	(1,086,353)	
53	Data processing services	3,238,866	-	38,386	(3,200,480)	
61	Community services	189,056	-	136,757	(52,299)	
72	Debt service - interest on					
72	long-term debt	2,609,831	-	262,854	(2,346,977)	
	Total Governmental Activities	<u>\$ 154,854,565</u>	<u>\$ 724,245</u>	<u>\$ 27,159,765</u>	<u>(126,970,555)</u>	
TP	Total Primary Government	<u><u>\$ 154,854,565</u></u>	<u><u>\$ 724,245</u></u>	<u><u>\$ 27,159,765</u></u>	<u><u>(126,970,555)</u></u>	
	General Revenues					
MT	Property taxes, levied for general purposes				69,934,979	
DT	Property taxes, levied for debt service				25,423,788	
GC	Grants and contributions not restricted					
GC	for specific programs				49,945,057	
IE	Investment earnings				62,882	
MI	Miscellaneous local and intermediate revenue				3,137,563	
TR				Total General Revenues	<u>148,504,269</u>	
CN				Change in Net Position	<u>21,533,714</u>	
NB	Beginning net position				8,093,705	
NE				Ending Net Position	<u><u>\$ 29,627,419</u></u>	

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS - EXHIBIT C-1

August 31, 2021

		10	50	60	Elementary & Secondary School Emergency Relief II
Data Control Codes		General	Debt Service	Capital Projects	
<u>Assets</u>					
1110	Cash and cash equivalents	\$ 26,783,628	\$ 9,680,791	\$ 50,259	\$ -
1220	Property taxes - delinquent	1,974,701	635,283	-	-
1230	Allowance for uncollectible taxes	(382,844)	(113,850)	-	-
1240	Due from other governments	1,010,243	-	-	3,960,680
1260	Due from other funds	17,635,673	25,961	1,391,768	-
1290	Other receivables	-	-	-	-
1300	Inventories, at cost	20,708	-	-	-
1410	Prepaid items	1,341	-	-	-
1000	Total Assets	\$ 47,043,450	\$ 10,228,185	\$ 1,442,027	\$ 3,960,680
<u>Liabilities</u>					
2110	Accounts payable	\$ 635,501	\$ -	\$ 162,788	\$ -
2160	Accrued wages payable	3,342,035	-	-	-
2170	Due to other funds	1,198,439	-	-	3,960,680
2180	Due to other governments	2,861,645	-	-	-
2000	Total Liabilities	8,037,620	-	162,788	3,960,680
<u>Deferred Inflows of Resources</u>					
2600	Unavailable revenue - property taxes	1,591,858	521,434	-	-
<u>Fund Balances</u>					
Nonspendable:					
3410	Inventories	20,708	-	-	-
3430	Prepaid items	1,341	-	-	-
Restricted:					
3450	Federal/state funds grant restrictions	-	-	-	-
3470	Construction	-	-	1,279,239	-
3480	Debt service	-	9,706,751	-	-
3490	Other restrictions of fund balance	-	-	-	-
3600	Unassigned	37,391,923	-	-	-
3000	Total Fund Balances	37,413,972	9,706,751	1,279,239	-
4000	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 47,043,450	\$ 10,228,185	\$ 1,442,027	\$ 3,960,680

See Notes to Financial Statements.

Elementary & Secondary School Emergency Relief III	Nonmajor Governmental	98 Total Governmental Funds
\$ 3,211	\$ 9,927,474	\$ 46,445,363
-	-	2,609,984
-	-	(496,694)
4,552,033	1,311,384	10,834,340
-	1,144	19,054,546
-	5,834	5,834
-	-	20,708
-	-	1,341
<u>\$ 4,555,244</u>	<u>\$ 11,245,836</u>	<u>\$ 78,475,422</u>
\$ 117,446	\$ 319,856	\$ 1,235,591
29,199	-	3,371,234
4,408,599	7,737,414	17,305,132
-	10,099	2,871,744
<u>4,555,244</u>	<u>8,067,369</u>	<u>24,783,701</u>
-	-	2,113,292
-	-	20,708
-	-	1,341
-	2,286,366	2,286,366
-	-	1,279,239
-	-	9,706,751
-	892,101	892,101
-	-	37,391,923
<u>-</u>	<u>3,178,467</u>	<u>51,578,429</u>
<u>\$ 4,555,244</u>	<u>\$ 11,245,836</u>	<u>\$ 78,475,422</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION - EXHIBIT C-1R
August 31, 2021

Total fund balances for governmental funds \$ 51,578,429

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets – nondepreciable	12,600,705	
Capital assets – depreciable	194,576,120	
	207,176,825	207,176,825

Other long-term assets (deferred taxes) are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		2,113,292
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Internal service funds are used by management to charge the costs of of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.		9,474
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Some liabilities, including bonds payable, are not reported as liabilities in the governmental funds.

Deferred outflows - pensions	16,672,417	
Deferred inflows - pensions	(5,250,577)	
Deferred outflows - OPEB	7,475,124	
Deferred inflows - OPEB	(27,613,977)	
Accrued interest	(230,949)	
Deferred charge on refunding	9,963,785	
Premium on long-term debt	(18,060,931)	
Noncurrent debt due in one year	(9,615,000)	
Noncurrent debt due in more than one year	(128,450,000)	
Net pension liability	(39,364,230)	
Net OPEB liability	(36,776,263)	(231,250,601)

Net Position of Governmental Activities		\$ 29,627,419
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See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - EXHIBIT C-2
For the Year Ended August 31, 2021

		10	50	60	Elementary & Secondary School Emergency Relief II
Data Control Codes		General	Debt Service	Capital Projects	
Revenues					
5700	Local, intermediate, and out-of-state	\$ 73,095,644	\$ 25,617,380	\$ 4,616	\$ -
5800	State program revenues	44,960,124	262,854	-	-
5900	Federal program revenues	7,237,592	-	1,138,110	4,787,842
5020	Total Revenues	125,293,360	25,880,234	1,142,726	4,787,842
Expenditures					
Current:					
0011	Instruction	71,271,292	-	155,182	4,657,842
0012	Instructional resources and				
0012	media services	1,095,926	-	-	-
0013	Curriculum/instructional				
0013	staff development	1,391,296	-	-	-
0021	Instructional leadership	1,621,764	-	-	-
0023	School leadership	6,928,932	-	-	-
0031	Guidance, counseling, and				
0031	evaluation services	3,811,893	-	-	-
0033	Health services	1,141,184	-	-	-
0034	Student (pupil) transportation	7,084,518	-	1,027,204	-
0035	Food services	-	-	-	-
0036	Extracurricular activities	2,762,177	-	3,934	130,000
0041	General administration	3,553,373	-	5,118	-
0051	Plant maintenance and operations	13,909,397	-	-	-
0052	Security and monitoring services	1,321,277	-	-	-
0053	Data processing services	2,799,530	-	178,385	-
0061	Community services	52,299	-	-	-
Debt service:					
0071	Principal	-	11,595,000	-	-
0072	Interest and fiscal charges	-	4,908,957	-	-
0073	Bond issuance costs	-	1,127,038	-	-
0081	Capital outlay	362,553	-	4,209,558	-
6030	Total Expenditures	119,107,411	17,630,995	5,579,381	4,787,842
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	6,185,949	8,249,239	(4,436,655)	-
Other Financing Sources (Uses)					
7911	Bonds issued	-	110,330,000	-	-
7916	Bond premium	-	13,492,921	-	-
8949	Payment to bond escrow agent	-	(131,695,883)	-	-
7915	Transfers in	-	-	1,250,000	-
8911	Transfers (out)	(1,250,000)	-	-	-
7080	Total Other Financing Sources (Uses)	(1,250,000)	(7,872,962)	1,250,000	-
1200	Net Change in Fund Balances	4,935,949	376,277	(3,186,655)	-
0100	Beginning fund balances	32,478,023	9,330,474	4,465,894	-
3000	Ending Fund Balances	\$ 37,413,972	\$ 9,706,751	\$ 1,279,239	\$ -

See Notes to Financial Statements.

Elementary & Secondary School Emergency Relief III	Nonmajor Governmental	Total Governmental Funds
\$ -	\$ 724,245	\$ 99,441,885
-	455,233	45,678,211
4,386,759	12,035,801	29,586,104
<u>4,386,759</u>	<u>13,215,279</u>	<u>174,706,200</u>
2,552,263	5,350,494	83,987,073
1,500	-	1,097,426
22,781	15,728	1,429,805
26,779	93,996	1,742,539
261,408	668	7,191,008
201,115	951,118	4,964,126
161,331	-	1,302,515
366,247	-	8,477,969
10,106	6,064,396	6,074,502
172,863	-	3,068,974
44,495	-	3,602,986
390,728	-	14,300,125
-	-	1,321,277
38,386	-	3,016,301
136,757	-	189,056
-	-	11,595,000
-	-	4,908,957
-	-	1,127,038
-	-	4,572,111
<u>4,386,759</u>	<u>12,476,400</u>	<u>163,968,788</u>
-	738,879	10,737,412
-	-	110,330,000
-	-	13,492,921
-	-	(131,695,883)
-	-	1,250,000
-	-	(1,250,000)
-	-	(7,872,962)
-	738,879	2,864,450
-	2,439,588	48,713,979
<u>\$ -</u>	<u>\$ 3,178,467</u>	<u>\$ 51,578,429</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - EXHIBIT C-3
For the Year Ended August 31, 2021

Net changes in fund balances - total governmental funds	\$ 2,864,450
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation	(5,857,725)
Capital outlay, net of disposal of assets	3,943,168
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
	25,346
The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when it is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.	
New bond issuance	(110,330,000)
Principal repayments	11,595,000
Payment to bond escrow agent to refund debt	131,695,883
Accrued interest	98,301
Amortization of loss on bond refunding	(944,520)
Premium from bond refunding	(13,492,921)
Amortization of premiums	4,272,383
Pension and other postemployment benefits (OPEB) activity reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure or revenue in governmental funds.	
Change in net pension liability	(1,227,543)
Change in net OPEB liability	6,894,760
Change in deferred outflows - pensions	(3,266,481)
Change in deferred inflows - pensions	1,305,269
Change in deferred outflows - OPEB	2,063,645
Change in deferred inflows - OPEB	(7,939,635)
Internal service funds are used by management to charge the costs of certain activities, such as employee healthcare, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	
	(165,666)
Change in Net Position of Governmental Activities	\$ 21,533,714

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS - EXHIBIT D-1

August 31, 2021

<u>Data Control Codes</u>		<u>Internal Service</u>
Assets:		
1110	Cash and cash equivalents	\$ 2,001,558
	Total Assets	<u>2,001,558</u>
Liabilities:		
2200	Accounts payable	242,670
2071	Due to other funds	1,749,414
2000	Total Liabilities	<u>1,992,084</u>
Net Position:		
3600	Unrestricted	9,474
4000	Total Net Position	<u>\$ 9,474</u>

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS - EXHIBIT D-2
For the Year Ended August 31, 2021

<u>Data Control Codes</u>		<u>Internal Service</u>
Operating Revenues:		
5700	Local and intermediate sources	\$ 2,215,622
5020	Total Operating Revenues	<u>2,215,622</u>
Operating Expenses:		
6100	Payroll costs	1,913,525
6200	Professional and contracted services	337,041
6300	Supplies and materials	49,064
6400	Other operating costs	81,658
	Total Operating Expenses	<u>2,381,288</u>
1200	Changes in Net Position	(165,666)
0100	Beginning net position	<u>175,140</u>
3000	Ending Net Position	<u><u>\$ 9,474</u></u>

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS - EXHIBIT D-3

For the Year Ended August 31, 2021

	<u>Internal Service</u>
<u>Cash Flows from Operating Activities</u>	
Cash received from customers	\$ 3,618,770
Cash receipts (payments) for quasi-external operating transactions with other funds	(307,775)
Cash payments to employees for services	(1,913,525)
Cash payments to other suppliers for goods and services	(149,127)
Net Cash Provided by Operating Activities	<u>1,248,343</u>
Net Increase in Cash and Equivalents	1,248,343
Beginning cash and cash equivalents	<u>753,215</u>
Ending Cash and Cash Equivalents	<u><u>\$ 2,001,558</u></u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating (loss)	\$ (165,666)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
(Increase) Decrease in:	
Accounts receivable	34,648
Increase (Decrease) in:	
Accrued expenses	91,345
Due to other funds	1,288,016
Net Cash Provided by Operating Activities	<u><u>\$ 1,248,343</u></u>

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS - EXHIBIT E-1

August 31, 2020

	<u>Custodial Funds</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 320,034
Accounts receivable	12,122
Total Assets	<u>332,156</u>
<u>Net Position</u>	
Unrestricted	332,156
Total Net Position	<u><u>\$ 332,156</u></u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS - EXHIBIT E-2

For the Year Ended August 31, 2021

	<u>Custodial Activity</u>
<u>Additions:</u>	
Fundraisers	\$ 275,277
Sales	207,188
Other	104,363
Total Additions	<u>586,828</u>
<u>Deductions:</u>	
Student groups	270,483
Fees and dues	238,525
Other	39,537
Total Deductions	<u>548,545</u>
Change in Net Position	38,283
Beginning Net Position	293,873
Total Net Position	<u><u>\$ 332,156</u></u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Magnolia Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas (the “State”). It is governed by a seven-member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB), and it complies with the requirements of the appropriate version of Texas Education Agency’s (TEA) *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

The District is an independent political subdivision of the State governed by a board elected by the public, and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations and is considered a primary government. As required by GAAP, these basic 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. No other entities have been included in the District’s reporting entity. 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.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the various other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District’s funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2021

The District reports the following governmental funds:

General Fund

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 general fund is always considered a major fund for reporting purposes.

Debt Service Fund

The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on all long-term debt of the District. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

Capital Projects Fund

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The capital projects fund is considered a nonmajor fund, but the District has elected to present it as major for reporting purposes due to its significance.

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The restricted or committed proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. Most federal and some state financial assistance are accounted for in a special revenue fund. The Elementary and Secondary School Emergency Relief funds (ESSER) II and III are used to account for and report financial resources that are related to Coronavirus Aid federal funding. The ESSER II and III funds are considered major funds for reporting purposes.

Proprietary Funds

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues include charges for services. Operating expenses includes costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2021

The District has the following type of proprietary funds:

Internal Service Funds

These funds are used to account for and report revenue and expenses related to services provided to parties inside the District on a cost reimbursement basis and account for the District's group health insurance benefits and workers' compensation risk management, the District's Aquatic Club activities, and the District's afterschool programs. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the governmental activities column of the governmental-wide financial statements.

Fiduciary Funds

The fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The District has the following type of fiduciary funds:

Custodial Funds

The custodial funds report resources, not in a trust, that are held by the District for other parties outside of the District. Custodial funds are accounted for using the accrual basis of accounting. These funds are used to account for the District's student activity funds, livestock show funds, and special projects donations.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

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

E. Measurement Focus and Basis of Accounting

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

The government-wide, proprietary fund, and fiduciary fund 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

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2021

timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the District.

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

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents. The District uses a consolidated claim on cash to track each participating fund's claim on cash which is net of each fund's current receivable and payables. The general fund's financial statement includes gross receivables and payable for all funds, and the general fund's claim on cash is adjusted accordingly.

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2021

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the District is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Fully collateralized repurchase agreements that meet certain criteria
- Government investment pools and commercial paper

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

4. Capital Assets

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

Asset Description	Estimated Useful Life
Buildings and improvements	10 to 50 years
Vehicles	8 to 20 years
Equipment	5 to 25 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2021

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

At the fund level, the District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

6. Long-Term Obligations

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

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount, and payment of principal and interest reported as expenditures. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

7. Net Position Flow Assumption

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

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2021

8. Fund Balance Flow Assumptions

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

9. Fund Balance Policies

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

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted fund balance.

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

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

10. Estimates

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

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2021

11. Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the Resource Guide. The TEA requires school districts to display these codes in the financial statements filed with the TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

12. Pensions

The fiduciary net position of 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.

13. Other Postemployment Benefits

The fiduciary net position of Teacher Retirement System ActiveCare ("TRS-Care") 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 OPEB, OPEB expense, and information about assets, liabilities, and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

All taxes due to the District on real or personal property are payable at the Office of the Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is no later than October 1. Taxes are due by January 31, and all taxes not paid prior to this date are deemed delinquent and are subject to such penalty and interest.

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on October 1 and are payable prior to the next February 1. District property tax revenues are recognized when collected.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2021

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service funds are charges to customers for sales and services. Operating expenses for the internal service funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with GAAP. The original budget is adopted by the District prior to the beginning of the year. The legal level of control is the function code stated in the approved budget. Appropriations lapse at the end of the year, excluding capital project budgets.

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the national school lunch and breakfast program special revenue fund, and the debt service fund. The District budgets the capital projects fund for each *project*, which normally covers multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the year, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures. There were no material changes between the original budget and the final amended budget.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of August 31, 2021, the District had the following investments:

<u>Investment Type</u>	<u>Weighted Average Maturity (Days)</u>	<u>Fair Value</u>
Lone Star - Investment Pool	52	\$ 84,725
Texas CLASS Investment Pool	53	15,927,217
		<u>\$ 16,011,942</u>

Custodial credit risk – deposits. In the case of deposits, this is the risk that the District's deposits may not be returned in the event of a bank failure. The District's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of August 31, 2021, fair market values of pledged securities and FDIC coverage exceeded bank balances.

Custodial credit risk – investments. For an investment, this is the risk that the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party in the event of the failure of the counterparty. The District's investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2021

Lone Star

The Lone Star Investment Pool (“Lone Star”) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards, with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star’s assets. State Street Bank provides custody and valuation services to Lone Star. All of the Board of Trustees’ eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both Lone Star members and nonmembers. Lone Star is rated ‘AAAm’ by Standard and Poor’s and operated in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight fund of Lone Star which seeks to maintain a net asset value of \$1.00. Lone Star has 3 different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. Government Overnight, Corporate Overnight, and Corporate Overnight Plus maintain a net asset value of \$1.00.

Texas CLASS

The Texas Cooperative Liquid Assets Securities System Trust – Texas (CLASS) is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended. CLASS is created under an amended and restated trust agreement, dated as of December 14, 2011 (the “Agreement”), among certain Texas governmental entities investing in CLASS (the “Participants”), with Cutwater Investor Services Corporation as program administrator and Wells Fargo Bank Texas, NA as custodian. CLASS is not SEC registered and is not subject to regulation by the State. Under the Agreement, however, CLASS is administered and supervised by a seven-member board of trustees (the “Board”), whose members are investment officers of the Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, CLASS has contracted with Cutwater Investors Service Corporation to provide for the investment and management of the public funds of CLASS. Separate financial statements for CLASS may be obtained from CLASS’ website at www.texasclass.com.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2021

B. Capital Assets

A summary of changes in capital assets for governmental activities at year end is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 10,123,142	\$ 2,477,563	\$ -	\$ 12,600,705
Total Capital Assets Not Being Depreciated	<u>10,123,142</u>	<u>2,477,563</u>	<u>-</u>	<u>12,600,705</u>
Other capital assets:				
Buildings and improvements	259,240,055	664,941	-	259,904,996
Furniture and equipment	6,287,971	142,424	(17,975)	6,412,420
Vehicles	14,282,443	1,143,015	(466,800)	14,958,658
Total Other Capital Assets	<u>279,810,469</u>	<u>1,950,380</u>	<u>(484,775)</u>	<u>281,276,074</u>
Less accumulated depreciation for:				
Buildings and improvements	(67,528,442)	(5,297,963)	-	(72,826,405)
Furniture and equipment	(3,507,024)	(275,145)	17,975	(3,764,194)
Vehicles	(9,806,763)	(769,392)	466,800	(10,109,355)
Total Accumulated Depreciation	<u>(80,842,229)</u>	<u>(6,342,500)</u>	<u>484,775</u>	<u>(86,699,954)</u>
Other capital assets, net	<u>198,968,240</u>	<u>(4,392,120)</u>	<u>-</u>	<u>194,576,120</u>
Governmental Activities Capital Assets, Net	<u>\$ 209,091,382</u>	<u>\$ (1,914,557)</u>	<u>\$ -</u>	<u>207,176,825</u>
			Less associated debt	(156,125,931)
			Plus unspent bond proceeds	1,279,239
			Plus deferred charge on refunding	<u>9,963,785</u>
			Net Investment in Capital Assets	<u>\$ 62,293,918</u>

Depreciation was charged to governmental functions as follows:

11	Instruction	\$ 3,153,555
12	Instructional resources and media services	48,652
13	Curriculum and instructional staff development	61,764
21	Instructional leadership	79,820
23	School leadership	312,634
31	Guidance, counseling, and evaluation services	169,222
33	Health services	50,661
34	Student (pupil) transportation	922,626
35	Food service	122,181
36	Cocurricular/extracurricular activities	146,091
41	General administration	159,985
51	Plant maintenance and operations	840,516
52	Security and monitoring	58,955
53	Data processing services	215,838
	Total Depreciation Expense	<u>\$ 6,342,500</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2021

C. Long-Term Debt

The following is a summary of changes in the District's total governmental long-term liabilities for the year. In general, the District uses the debt service fund to liquidate governmental long-term liabilities.

Governmental Activities:	Beginning Balance	Additions	(Reductions)	Ending Balance	Amounts Due Within One Year	Interest Rates
Bonds payable:						
Series 2012	\$ 585,000	\$ -	\$ (585,000)	\$ -	\$ -	2.00-3.50%
Series 2013	48,845,000	-	(41,365,000)	7,480,000	2,170,000	2.00-5.00%
Series 2016	83,200,000	-	(73,055,000)	10,145,000	1,605,000	2.00-5.00%
Series 2017	17,535,000	-	(5,125,000)	12,410,000	5,400,000	3.00-5.00%
Series 2020A	-	71,055,000	(1,605,000)	69,450,000	440,000	2.00-5.00%
Series 2020B	-	39,275,000	(695,000)	38,580,000	-	1.75-5.00%
	<u>150,165,000</u>	<u>110,330,000</u>	<u>(122,430,000)</u>	<u>138,065,000</u>	<u>9,615,000</u>	
Other liabilities:						
Unamortized bond premium	24,180,717	13,492,921	(19,612,707)	18,060,931	*	-
Net pension liability	38,136,687	1,227,543	-	39,364,230	-	-
Net OPEB liability	43,671,023	-	(6,894,760)	36,776,263	-	-
Total Governmental Activities	<u>\$ 256,153,427</u>	<u>\$ 123,822,921</u>	<u>\$ (142,042,707)</u>	<u>\$ 232,266,424</u>	<u>\$ 9,615,000</u>	
Long-term liabilities due in more than one year				<u>\$ 222,651,424</u>		
*Debt associated with capital assets				<u>\$ 156,125,931</u>		

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

The annual requirements to amortize debt issues outstanding at year end are as follows:

Fiscal Year Ended Aug 31	Principal	Interest	Total Requirements
2022	\$ 9,615,000	\$ 5,311,834	\$ 14,926,834
2023	8,915,000	4,831,084	13,746,084
2024	9,280,000	4,385,334	13,665,334
2025	11,125,000	3,921,334	15,046,334
2026	11,800,000	3,367,934	15,167,934
2027-2031	42,280,000	9,718,256	51,998,256
2032-2036	27,595,000	3,863,242	31,458,242
2037-2041	17,455,000	832,061	18,287,061
	<u>\$ 138,065,000</u>	<u>\$ 36,231,078</u>	<u>\$ 174,296,078</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2021

New Debt

During the fiscal year, the District partially refunded the Unlimited Tax School Building Bonds, Series 2013 and Series 2016, in the amount of \$110,835,000. As a result, that portion of the bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. The carrying cost of the new debt exceeded that of the old debt by \$8,991,550. The refunding represented an overall economic gain of \$28,513,315 and the net present value of savings at the date of issuance was \$21,650,248. The outstanding balance of the defeased bonds at year end was \$110,835,000.

D. Interfund Transactions

The following is a summary of the District's interfund transactions for the year:

	Due From Other Funds
General	
ESSER II	\$ 3,960,680
ESSER III	4,188,165
Other Nonmajor governmental	7,737,414
Internal service	1,749,414
Total General Fund	\$ 17,635,673
Debt service	
General	\$ 25,961
Total Debt service fund	\$ 25,961
Capital projects	
General	\$ 1,171,334
ESSER III	220,434
Total Capital projects fund	\$ 1,391,768
Other Nonmajor governmental	
General	\$ 1,144
Total Other Nonmajor Governmental Funds	\$ 1,144
Total	19,054,546

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2021

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
Capital Projects	General	\$ 1,250,000	Transfers for capital projects

Transfers from the general fund to the capital projects fund are used to help pay for capital improvements that are spent out of the capital projects fund.

IV. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District purchases commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. Although the District does not anticipate that it will have any arbitrage liability, it periodically engages an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2021

C. Defined Benefit Pension Plan

Teacher Retirement System

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 TRS. It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. TRS's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in the State 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 TRS.

Pension Plan Fiduciary Net Position

Detailed information about the TRS's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and Required Supplementary Information. That report may be obtained on the Internet at <https://www.trs.texas.gov/Pages/aboutpublications.aspx>, or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

Benefits Provided

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

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increase from the State, participating employers, and active employees to make TRS actuarially sound. This action causing TRS to be actuarially sound allowed

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2021

the Legislature to approve funding for a thirteenth check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. SB12 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 through 2025.

Contribution Rates			
Fiscal Year	State	Public Education	Active
		Employer*	Employee
2020	7.50%	1.50%	7.70%
2021	7.50%	1.60%	7.70%
2022	7.75%	1.70%	8.00%
2023	8.00%	1.80%	8.00%
2024	8.25%	1.90%	8.25%
2025	8.25%	2.00%	8.25%

Contribution Rates		
	2021	2020
Member	7.7%	7.7%
NECE (State)	7.5%	7.5%
Employers	7.5%	7.5%

	Measurement Year (2020)	Fiscal Year (2021)
Employer Contributions	\$ 3,032,563	\$ 3,788,312
Member Contributions	\$ 6,763,335	\$ 7,085,773
NECE On-Behalf Contributions	\$ 4,585,831	\$ 4,218,665

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

As the NECE for public education and junior colleges, the State contributes to TRS an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of TRS during that fiscal year reduced by the amounts described below, which are paid by the employers.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2021

Employers (public schools, junior colleges, other entities, or the State 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 noneducational, and general or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to TRS an amount equal to 50% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

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

- All public schools, charter schools, and regional educational service centers must contribute 1.5% of the member's salary beginning in fiscal year 2020, gradually increasing to 2.0% in fiscal year 2025.
- When employing a retiree of the TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2021

Actuarial Assumptions

The total pension liability (TPL) in the August 31, 2019 actuarial valuation rolled forward to August 31, 2020 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 investment rate of return	7.25%
Municipal bond rate	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."
Inflation	2.3%
Salary increases including inflation	3.05% to 9.05%
Benefit changes during the year	None
Ad hoc postemployment benefit changes	None

The actuarial methods and assumptions used in the determination of the TPL are the same assumptions used in the actuarial valuation as of ending August 31, 2019. For a full description of these assumptions, please see the TRS actuarial valuation report dated November 14, 2019.

Discount Rate

A single discount rate of 7.25% was used to measure the TPL. The single discount rate was based on the expected rate of return on plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers, and the NECE 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% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

The long-term expected rate of return on TRS investments is 7.25%. The long-term expected rate of return on TRS 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.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2021

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

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

	Target Allocation (1)	Long-Term Expected Arithmetic Real Reate of Return (2)	Expected Contributions to Long-Term Portfolio Returns
Global			
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	5.00%	1.90%	0.11%
Real Return			
Real Estate	15.00%	4.60%	1.01%
Energy and National Resources	6.00%	6.00%	0.42%
Risk Parity			
Risk Parity	8.00%	3.00%	0.30%
Leverage			
Cash	2.00%	-1.50%	-0.03%
Asset Allocation Leverage	-6.00%	-1.30%	0.08%
Inflation Expectation			2.00%
Volatility Drag (3)			-0.67%
Total	100%	33.3%	7.32%

(1)Target allocations are based on the FY2020 policy model.

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

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

Discount Rate Sensitivity Analysis

The following table presents the net pension liability (NPL) of TRS using the discount rate of 7.25%, and what the NPL would be if it was calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease in Discount Rate (6.25%)	Current Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability	\$ 60,698,938	\$ 39,364,230	\$ 22,030,247

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2021

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

At August 31, 2021, the District reported a liability of \$39,364,230 for its proportionate share of the TRS's NPL. This liability reflects a reduction for state pension support provided to the District.

The amounts recognized by the District as its proportionate share of the NPL, the related state support, and the total portion of the NPL that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$	39,364,230
State's proportionate share that is associated with the District		59,526,550
Total	\$	98,890,780

The NPL was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date. The District's proportion of the NPL was based on the District's contributions to TRS relative to the contributions of all employers to TRS for the period September 1, 2018 through August 31, 2019.

At August 31, 2021, the District's proportion of the collective NPL was 0.0733636%, which was an increase of 0.0029676% from its proportion measured as of August 31, 2020.

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 \$7,159,722 and revenue of \$7,159,722 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 71,876	\$ 1,098,551
Changes in actuarial assumptions	9,133,902	3,883,671
Difference between projected and actual investment earnings	796,895	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,881,432	268,355
Contributions paid to TRS subsequent to the measurement date	3,788,312	-
Total	\$ 16,672,417	\$ 5,250,577

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For 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:

Fiscal Year Ended August 31:	Pension Expense
2022	\$ 2,361,794
2023	2,611,828
2024	2,225,749
2025	755,550
2026	(315,223)
Thereafter	(6,170)
Total	\$ 7,633,528

D. Defined Other Postemployment Benefit Plan

Plan Description

The District participates in TRS-Care. It is a multiple-employer, cost-sharing defined benefit OPEB plan that has a special funding situation. TRS-Care is administered through a trust by TRS Board of Trustees (the "Board"). It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

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

Components of the net OPEB liability of TRS-Care as of August 31, 2020 are as follows:

Total OPEB liability	\$ 40,010,833,815
Less: plan fiduciary net position	1,996,317,932
Net OPEB Liability	\$ 38,014,515,883
Net position as a percentage of total OPEB liability	4.99%

Benefits Provided

TRS-Care provides health insurance coverage to retirees from public and charter schools, regional education service centers, and other educational districts who are members of TRS. 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 TRS. There are no automatic postemployment benefit changes, including automatic COLAs.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2021

The schedule below shows the monthly rates for a retiree with and without Medicare coverage:

TRS-Care Plan Premium Rates		
	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and spouse	\$ 529	\$ 689
Retiree and children	\$ 468	\$ 408
Retiree and family	\$ 1,020	\$ 999

*or surviving spouse

Contributions

Contribution rates for TRS-Care are established in state statute by the Texas Legislature and there is no continuing obligation to provide benefits beyond each fiscal year. TRS-Care 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 does not have the authority to set or amend contribution rates.

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

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

Contribution Rates		
	Fiscal Year	
	2020	2021
Active employee	0.65%	0.65%
NECE	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding remitted by employers	1.25%	1.25%

	Measurement Year (2020)	Fiscal Year (2021)
District contributions	\$ 725,548	\$ 714,215
Member contributions	\$ 285,465	\$ 299,075
NECE on-behalf contributions	\$ 988,069	\$ 1,150,288

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

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2021

TRS-Care received supplemental appropriations from the State as the NECE in the amount of \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

Actuarial Assumptions

The 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 of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for TRS, 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 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 identical to the assumptions used in the August 31, 2019 TRS pension actuarial valuation that was rolled forward to August 31, 2020:

- | | |
|----------------------------------|----------------------------|
| 1. Rates of Mortality | 5. General Inflation |
| 2. Rates of Retirement | 6. Wage Inflation |
| 3. Rates of Termination | 7. Expected Payroll Growth |
| 4. Rates of Disability Incidence | |

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

The initial medical trend rates were 10.25% for Medicare retirees and 7.50% for non-Medicare retirees. There was an initial prescription drug trend rate of 10.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 13 years.

Additional actuarial methods and assumptions are as follows:

Valuation date	8/31/2019 rolled forward to 8/31/2020
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Single discount rate	2.33% as of August 31, 2019.
Aging factors	Based on plan specific experience
Election rates	Normal retirement: 65% participation prior to age 65 and 40% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected salary increases	3.05% to 9.05%, including inflation
Ad hoc postemployment benefit changes	None

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2021

Discount Rate

A single discount rate of 2.33% was used to measure the total OPEB liability. Because TRS-Care 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 NECE are made at the statutorily required rates. Based on those assumptions, TRS-Care’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability

Discount Rate Sensitivity Analysis – The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability:

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District's proportionate share of net OPEB liability	\$ 44,131,432	\$ 36,776,263	\$ 30,966,736

Healthcare Cost Trend Rates Sensitivity Analysis – The following presents the net OPEB liability of TRS-Care using the assumed healthcare cost trend rate of 4.25%, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than or 1% higher than the assumed healthcare cost trend rate:

	1% Decrease in Healthcare Cost Trend Rate	Current Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
District's proportionate share of net OPEB liability	\$ 30,041,495	\$ 36,776,263	\$ 45,746,022

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

At August 31, 2021, the District reported a liability of \$36,776,263 for its proportionate share of TRS-Care’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	\$ 36,776,263
State's proportionate share that is associated with the District	49,418,482
Total	\$ 86,194,745

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2021

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 TRS-Care relative to the contributions of all employers to TRS-Care for the period September 1, 2019 through August 31, 2020.

At August 31, 2021, the employer's proportion of the collective net OPEB liability was 0.0967427%, compared to 0.0923449% as of August 31, 2020.

Changes Since the Prior Actuarial Valuation

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

- The discount rate was changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020. This change increased the total OPEB liability.
- The participation rate for post-65 retirees was lowered from 50 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.

There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2021, the District recognized OPEB expense of \$343,143 and revenue of \$343,143 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,925,591	\$ 16,830,699
Changes in actuarial assumptions	2,268,331	10,098,952
Differences between projected and actual investment earnings	11,951	-
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	2,555,036	684,326
Contributions paid to TRS subsequent to the measurement date	714,215	-
Total	\$ 7,475,124	\$ 27,613,977

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2021

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 Ended August 31	Expense Amount
2022	\$ (3,565,003)
2023	(3,566,600)
2024	(3,567,514)
2025	(3,567,264)
2026	(2,584,955)
Thereafter	(4,001,732)
	<u>\$ (20,853,068)</u>

Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for 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 \$410,889, \$375,620, and \$298,867, respectively.

E. Employee Health Care Coverage

During the year ended August 31, 2021, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$275 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the insurer is renewable September 1, 2020 and terms of coverage and premiums costs are included in the contractual provisions.

F. Workers' Compensation Insurance

During the year ended August 31, 2021, employees of the District were covered by a workers' compensation plan (the "Plan"). The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreements.

The contract between the District and the third-party administrator, Creative Risk Funding (CRF), acting on behalf of the self-funded pool, is renewable on September 1 and terms, as well as costs of coverage, are included in the contractual provisions.

In accordance with State statutes, the District was protected against unanticipated catastrophic individual or aggregate loss by reinsurance coverage carried through Safety National Casualty Corporation, a commercial insurer licensed or eligible to do business in the State of Texas in accordance with the Texas Insurance Code. The specific retention is \$350,000 and the aggregate

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2021

limit is \$1,000,000. The aggregate stop-loss coverage is \$11,653,213. According to CRF, the unfunded claim benefit obligation included \$147,957 in claims that were unpaid and \$129,365 in estimated claims incurred, but not reported. Other school districts contributed to the self-funded pool which was operated under the contractual provisions of Article 4413(32c), Interlocal Cooperation Act.

The claim liability is based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims which have been incurred but not reported based on historical experience.

Changes in the claims liability for workers' compensation benefits for the current and prior fiscal year are summarized below:

	Fiscal Year	
	2021	2020
Claims liability at beginning of year	\$ 147,957	\$ 102,299
Current year claims and estimated changes	2,825,318	2,676,045
Claims payments	(3,124,135)	(2,926,301)
Claims liability at year end	<u>\$ 150,860</u>	<u>\$ 147,957</u>

G. Unemployment Compensation

During the year ended August 31, 2021, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the unemployment compensation pool.

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

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2021

H. Restatement of Net Position/Fund Balance

The District restated net position and fund balance as shown below for the implementation of GASB Standard No. 84, *Fiduciary Activities*.

	Governmental Funds	Governmental Activities	Custodial Funds
Beginning fund balance/net position- as reported	332,392	\$ 7,739,095	-
GASB 84 Implementation - Campus Activity	354,610	354,610	-
GASB 84 Implementation - Custodial	-	-	293,873
Beginning fund balance/net position - as reported	<u>687,002</u>	<u>\$ 8,093,705</u>	<u>\$ 293,873</u>

I. Shared Services Arrangement

Conroe Regional Day School for the Deaf

The District participates in a shared services arrangement for the disability condition of auditory impairment under authority of Section 29.007 of the Texas Education Code and Section 791.001 et seq., of the Texas Government Code as Conroe Regional Day School Program for the Deaf. The District has neither a joint ownership interest in fixed assets purchased by the fiscal agent, Conroe Regional Day School for the Deaf, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District.

REQUIRED SUPPLEMENTARY INFORMATION

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND - EXHIBIT G-1
For the Year Ended August 31, 2021

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
	Revenues				
5700	Local and intermediate sources	\$ 70,869,651	\$ 70,869,651	\$ 73,095,644	\$ 2,225,993
5800	State program revenues	46,909,808	46,909,808	44,960,124	(1,949,684)
5900	Federal program revenues	2,350,000	2,350,000	7,237,592	4,887,592
5020	Total Revenues	<u>120,129,459</u>	<u>120,129,459</u>	<u>125,293,360</u>	<u>5,163,901</u>
	Expenditures				
	Current:				
0011	Instruction	71,836,226	71,690,350	71,271,292	419,058
0012	Instructional resources and media services	1,149,237	1,164,237	1,095,926	68,311
0013	Curriculum and instructional staff development	1,397,404	1,417,404	1,391,296	26,108
0021	Instructional leadership	1,669,416	1,669,416	1,621,764	47,652
0023	School leadership	7,039,818	7,039,818	6,928,932	110,886
0031	Guidance, counseling, and evaluation services	3,736,819	3,856,819	3,811,893	44,926
0033	Health services	1,120,511	1,205,511	1,141,184	64,327
0034	Student (pupil) transportation	7,705,213	7,230,213	7,084,518	145,695
0036	Extracurricular activities	2,649,118	2,789,118	2,762,177	26,941
0041	General administration	3,824,236	3,574,236	3,553,373	20,863
0051	Plant maintenance and operations	13,311,958	13,936,958	13,909,397	27,561
0052	Security and monitoring services	1,515,967	1,385,967	1,321,277	64,690
0053	Data processing services	3,173,536	3,083,536	2,799,530	284,006
0061	Community services	-	53,000	52,299	701
	Capital outlay:				
0081	Facilities acquisition and construction	-	365,000	362,553	2,447
6030	Total Expenditures	<u>120,129,459</u>	<u>120,461,583</u>	<u>119,107,411</u>	<u>1,354,172</u>
1100	Excess of Revenues				
1100	Over Expenditures	<u>-</u>	<u>(332,124)</u>	<u>6,185,949</u>	<u>6,518,073</u>
	Other Financing Sources (Uses)				
8911	Transfers (out)	-	(1,250,000)	(1,250,000)	-
7080	Total Other Financing (Uses)	<u>-</u>	<u>(1,250,000)</u>	<u>(1,250,000)</u>	<u>-</u>
1200	Net Change in Fund Balance	-	(1,582,124)	4,935,949	6,518,073
0100	Beginning fund balance	32,478,023	32,478,023	32,478,023	-
3000	Ending Fund Balance	<u>\$ 32,478,023</u>	<u>\$ 30,895,899</u>	<u>\$ 37,413,972</u>	<u>\$ 6,518,073</u>

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) EXHIBIT G-2
For the Year Ended August 31, 2021

	Measurement Year*			
	2020	2019	2018	2017
District's proportion of the net pension liability	0.0734984%	0.0733636%	0.0707019%	0.0720633%
District's proportionate share of the net pension liability	\$ 39,364,320	\$ 38,136,687	\$ 38,916,039	\$ 23,041,967
State's proportionate share of the net pension liability associated with the District	59,526,550	54,804,632	61,112,056	36,779,755
Total	<u>\$ 98,890,870</u>	<u>\$ 92,941,319</u>	<u>\$ 100,028,095</u>	<u>\$ 59,821,722</u>
District's covered payroll**	\$ 87,835,525	\$ 79,619,555	\$ 75,558,224	\$ 75,894,006
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	44.82%	47.90%	48.88%	30.36%
Plan fiduciary net position as a percentage of the total pension liability	75.54%	75.24%	73.74%	82.17%

* Only seven years' worth of information is currently available.

Notes to Required Supplementary Information:

1. *Changes in Assumptions:* There were no changes of assumptions that affected measurement of the total pension liability (TPL) during the measurement period.

2. *Changes in Benefits:* There were no changes of benefit terms that affected measurement of the TPL during the measurement period.

Measurement Year*		
2016	2015	2014
0.0674318%	0.0644642%	0.0381396%
\$ 25,481,474	\$ 22,787,237	\$ 10,187,615
44,165,685	41,556,031	35,623,679
\$ 69,647,159	\$ 64,343,268	\$ 45,811,294
\$ 71,854,210	\$ 66,661,323	\$ 62,929,170
35.46%	34.18%	16.19%
78.00%	78.43%	83.25%

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) EXHIBIT G-3

For the Year Ended August 31, 2021

	Fiscal Year*			
	2021	2020	2019	2018
Contractually required contribution	\$ 3,788,312	\$ 2,999,087	\$ 2,396,759	\$ 2,278,252
Contributions in relations to the contractually required contribution	3,788,312	2,999,087	2,396,759	2,278,252
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 92,023,023	\$ 87,835,525	\$ 79,619,555	\$ 75,558,224
Contributions as a percentage of covered payroll	4.12%	3.41%	3.01%	3.02%

* Only seven years' worth of information is currently available.

Fiscal Year*		
2017	2016	2015
\$ 2,345,519	\$ 2,142,479	\$ 1,095,709
2,345,519	2,142,479	1,095,709
\$ -	\$ -	\$ -
\$ 75,894,006	\$ 71,854,210	\$ 66,661,323
3.09%	2.98%	1.64%

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY, TEXAS PUBLIC SCHOOL
RETIRED EMPLOYEES GROUP INSURANCE PROGRAM
("TRS-CARE") EXHIBIT G-4
For the Year Ended August 31, 2021

	Measurement Year*			
	2020	2019	2018	2017
District's proportion of the collective net OPEB liability	0.0967427%	0.0923449%	0.0937564%	0.0935182%
District's proportionate share of the collective net OPEB liability	\$ 36,776,263	\$ 43,671,023	\$ 46,813,418	\$ 40,667,543
State's proportionate share of the collective net OPEB liability associated with the District	49,418,482	58,029,021	66,781,605	60,509,092
Total	<u><u>\$ 86,194,745</u></u>	<u><u>\$ 101,700,044</u></u>	<u><u>\$ 113,595,023</u></u>	<u><u>\$ 101,176,635</u></u>
District's covered payroll**	\$ 87,835,525	\$ 79,619,555	\$ 75,558,224	\$ 75,894,006
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	41.87%	54.85%	61.96%	53.58%
Plan fiduciary net position as a percentage of the total OPEB liability	4.99%	2.66%	1.57%	0.91%

* Only four years' worth of information is currently available.

Notes to Required Supplementary Information:

1. Changes in Assumptions:

The discount rate was changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020. This change increased the total OPEB liability.

The participation rate for post-65 retirees was lowered from 50% to 40%. This change lowered the total OPEB liability.

The ultimate health care trend assumption was lowered from 4.50% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the total OPEB liability.

2. Changes in Benefits:

There were no changes in benefit terms since the prior measurement date.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS, TEXAS PUBLIC SCHOOL
RETIRED EMPLOYEES GROUP INSURANCE PROGRAM
("TRS-CARE") EXHIBIT G-5
For the Year Ended August 31, 2021

	Fiscal Year*			
	2021	2020	2019	2018
Statutorily required contributions	\$ 714,215	\$ 725,548	\$ 624,566	\$ 575,237
Contributions in relations to the statutorily required contributions	714,215	725,548	624,566	575,237
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 92,023,023	\$ 87,835,525	\$ 79,619,555	\$ 75,558,224
Contributions as a percentage of covered payroll	0.78%	0.83%	0.78%	0.76%

* Only four years' worth of information is currently available.

***OTHER SUPPLEMENTARY
INFORMATION***

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2) - EXHIBIT H-1

August 31, 2021

		211	224	225	226
Data Control Codes		ESEA Title I Part A	IDEA B Formula	IDEA B Preschool	IDEA B Discretionary
<u>Assets</u>					
1110	Cash and cash equivalents	\$ 2,331,888	\$ 2,115,001	\$ -	\$ -
1240	Due from other governments	298,725	60,567	3,204	-
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1000	Total Assets	\$ 2,630,613	\$ 2,175,568	\$ 3,204	\$ -
<u>Liabilities</u>					
2110	Accounts payable	\$ 5,814	\$ 22,856	\$ -	\$ -
2170	Due to other funds	2,624,799	2,152,712	3,204	-
2180	Due to other governments	-	-	-	-
2000	Total Liabilities	2,630,613	2,175,568	3,204	-
<u>Fund Balances</u>					
Restricted:					
3450	Federal/state grant restrictions	-	-	-	-
3490	Other restrictions of fund balance	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities and Fund Balances	\$ 2,630,613	\$ 2,175,568	\$ 3,204	\$ -

240 National School Breakfast and Lunch Program	242 Summer Food Service Program	244 Career and Technical Basic Grant	255 ESEA Title II Part A	263 Title III Part A English Language	276 Title I School Improvement Program
\$ 3,910,947	\$ -	\$ 223	\$ 371,696	\$ 85,783	\$ -
528,313	5,668	10,691	38,086	39,800	24,000
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 4,439,260</u>	<u>\$ 5,668</u>	<u>\$ 10,914</u>	<u>\$ 409,782</u>	<u>\$ 125,583</u>	<u>\$ 24,000</u>
\$ 268,742	\$ -	\$ 5,043	\$ 10,755	\$ 6,552	\$ -
2,289,355	5,668	5,871	399,027	108,932	24,000
-	-	-	-	10,099	-
<u>2,558,097</u>	<u>5,668</u>	<u>10,914</u>	<u>409,782</u>	<u>125,583</u>	<u>24,000</u>
1,881,163	-	-	-	-	-
-	-	-	-	-	-
<u>1,881,163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 4,439,260</u>	<u>\$ 5,668</u>	<u>\$ 10,914</u>	<u>\$ 409,782</u>	<u>\$ 125,583</u>	<u>\$ 24,000</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2) - EXHIBIT H-1

August 31, 2021

		289	385	397	410
Data			State		
Control		Summer	Supplemented	Advanced	
Codes		School	Visually	Placement	State
		LEP	Impaired	Incentives	Textbook
<u>Assets</u>					
1110	Cash and cash equivalents	\$ -	\$ -	\$ 14,409	\$ 202,864
1240	Due from other governments	121,518	-	-	180,812
1260	Due from other funds	-	-	-	-
1290	Other receivables	2,328	-	-	-
1000	Total Assets	<u>\$ 123,846</u>	<u>\$ -</u>	<u>\$ 14,409</u>	<u>\$ 383,676</u>
<u>Liabilities</u>					
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2170	Due to other funds	123,846	-	-	-
2180	Due to other governments	-	-	-	-
2000	Total Liabilities	<u>123,846</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>					
Restricted:					
3450	Federal/state funds grant restrictions	-	-	14,409	383,676
3490	Other restrictions of fund balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>14,409</u>	<u>383,676</u>
4000	Total Liabilities and Fund Balances	<u>\$ 123,846</u>	<u>\$ -</u>	<u>\$ 14,409</u>	<u>\$ 383,676</u>

429	461	
Pre-K Activity	Campus Activity	Total Nonmajor Governmental Funds
\$ 7,118	\$ 887,545	\$ 9,927,474
-	-	1,311,384
-	1,144	1,144
-	3,506	5,834
<u>\$ 7,118</u>	<u>\$ 892,195</u>	<u>\$ 11,245,836</u>
\$ -	\$ 94	\$ 319,856
-	-	7,737,414
-	-	10,099
<u>-</u>	<u>94</u>	<u>8,067,369</u>
7,118	-	2,286,366
-	892,101	892,101
<u>7,118</u>	<u>892,101</u>	<u>3,178,467</u>
<u>\$ 7,118</u>	<u>\$ 892,195</u>	<u>\$ 11,245,836</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2) - EXHIBIT H-2
For the Year Ended August 31, 2021

		211	224	225	226
Data					
Control					
Codes					
		ESEA Title I	IDEA B	IDEA B	IDEA B
		Part A	Formula	Preschool	Discretionary
	Revenues				
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	2,616,652	1,876,017	15,838	158,522
5020	Total Revenues	<u>2,616,652</u>	<u>1,876,017</u>	<u>15,838</u>	<u>158,522</u>
	Expenditures				
	Current:				
0011	Instruction	2,613,554	914,903	15,838	158,522
0013	Curriculum and instructional				
0013	staff development	3,098	-	-	-
0021	Instructional leadership	-	69,996	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and				
0031	evaluation services	-	891,118	-	-
0035	Food services	-	-	-	-
6030	Total Expenditures	<u>2,616,652</u>	<u>1,876,017</u>	<u>15,838</u>	<u>158,522</u>
1200	Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
0100	Beginning fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	Ending Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240 National School Breakfast and Lunch Program	242 Summer Food Service Program	244 Career and Technical Basic Grant	255 ESEA Title II Part A	263 Title III Part A English Language	276 Title I School Improvement Program
\$ 444,323	\$ -	\$ -	\$ -	\$ -	\$ -
27,983	93,970	-	-	-	-
1,443,455	4,985,876	157,894	389,438	201,781	24,000
<u>1,915,761</u>	<u>5,079,846</u>	<u>157,894</u>	<u>389,438</u>	<u>201,781</u>	<u>24,000</u>
-	-	157,894	378,558	201,781	-
-	-	-	10,880	-	-
-	-	-	-	-	24,000
-	-	-	-	-	-
-	-	-	-	-	-
984,550	5,079,846	-	-	-	-
<u>984,550</u>	<u>5,079,846</u>	<u>157,894</u>	<u>389,438</u>	<u>201,781</u>	<u>24,000</u>
931,211	-	-	-	-	-
949,952	-	-	-	-	-
<u>\$ 1,881,163</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2) - EXHIBIT H-2
For the Year Ended August 31, 2021

		289	385	397	410
Data		State			
Control		Summer	Supplemented	Advanced	
Codes		School	Visually	Placement	State
		LEP	Impaired	Incentives	Textbook
<u>Revenues</u>					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	15,375	6,750	185,540
5900	Federal program revenues	166,328	-	-	-
5020	Total Revenues	<u>166,328</u>	<u>15,375</u>	<u>6,750</u>	<u>185,540</u>
<u>Expenditures</u>					
Current:					
0011	Instruction	166,328	15,375	-	469,202
0013	Curriculum and instructional				
0013	staff development	-	-	1,750	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and				
0031	evaluation services	-	-	-	-
0035	Food services	-	-	-	-
6030	Total Expenditures	<u>166,328</u>	<u>15,375</u>	<u>1,750</u>	<u>469,202</u>
1200	Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>(283,662)</u>
0100	Beginning fund balances	<u>-</u>	<u>-</u>	<u>9,409</u>	<u>667,338</u>
3000	Ending Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,409</u>	<u>\$ 383,676</u>

429	461	Total Nonmajor Governmental Funds
Pre-K Activity	Campus Activity	
\$ -	\$ 279,922	\$ 724,245
125,615	-	455,233
-	-	12,035,801
125,615	279,922	13,215,279
184,384	74,155	5,350,494
-	-	15,728
-	-	93,996
-	668	668
60,000	-	951,118
-	-	6,064,396
244,384	74,823	12,476,400
(118,769)	205,099	738,879
125,887	687,002	2,439,588
\$ 7,118	\$ 892,101	\$ 3,178,467

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF NET POSITION

NONMAJOR INTERNAL SERVICE FUNDS - EXHIBIT H-3

August 31, 2021

Data Control Codes		748	798	876	879
		After-School Programs	Aquatic Club	MISD Health Plan	Workers' Compensation Insurance
Assets:					
1110	Cash and cash equivalents	\$ 1,362,428	\$ 478,796	\$ 9,474	\$ 150,860
	Total Assets	<u>1,362,428</u>	<u>478,796</u>	<u>9,474</u>	<u>150,860</u>
Liabilities:					
Current liabilities:					
2110	Accounts payable	80,484	11,326	-	150,860
2071	Due to other funds	1,281,944	467,470	-	-
2000	Total Liabilities	<u>1,362,428</u>	<u>478,796</u>	<u>-</u>	<u>150,860</u>
Net Position:					
3600	Unrestricted	-	-	9,474	-
4000	Total Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,474</u>	<u>\$ -</u>

Total Internal Service Funds	
\$	2,001,558
	<u>2,001,558</u>

	242,670
	<u>1,749,414</u>
	<u>1,992,084</u>

	<u>9,474</u>
\$	<u><u>9,474</u></u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
NONMAJOR INTERNAL SERVICE FUNDS - EXHIBIT H-4
For the Year Ended August 31, 2021

Data Control Codes		748	798	876	879
		After-School Program	Aquatic Club	MISD Health Plan	Workers' Compensation Insurance
	Operating Revenues:				
5700	Local and intermediate sources	\$ 1,350,862	\$ 554,082	\$ -	\$ 310,678
5020	Total Operating Revenues	<u>1,350,862</u>	<u>554,082</u>	<u>-</u>	<u>310,678</u>
	Operating Expenses:				
6100	Payroll costs	1,516,528	396,997	-	-
6200	Professional and contracted services	-	26,363	-	310,678
6300	Supplies and materials	-	49,064	-	-
6400	Other operating costs	-	81,658	-	-
	Total Operating Expenses	<u>1,516,528</u>	<u>554,082</u>	<u>-</u>	<u>310,678</u>
1200	Changes in Net Position	(165,666)	-	-	-
0100	Beginning net position	<u>165,666</u>	<u>-</u>	<u>9,474</u>	<u>-</u>
3000	Ending Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,474</u>	<u>\$ -</u>

**Total
Internal
Service Funds**

\$ 2,215,622
2,215,622

1,913,525
337,041
49,064
81,658
2,381,288

(165,666)

175,140

\$ 9,474

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS

NONMAJOR INTERNAL SERVICE FUNDS - EXHIBIT H-5

For the Year Ended August 31, 2021

	748	798	876	879
	After-School Program	Aquatic Club	MISD Health Plan	Workers' Compensation Insurance
<u>Cash Flows from Operating Activities</u>				
Cash received from customers	\$ 2,353,378	\$ 954,714	\$ -	\$ 310,678
Cash payments for quasi-external operating transactions with other funds	-	-	-	(307,775)
Cash payments to employees for services	(1,516,528)	(396,997)	-	-
Cash payments to other suppliers for goods and services	-	(149,127)	-	-
Net Cash Provided by Operating Activities	<u>836,850</u>	<u>408,590</u>	<u>-</u>	<u>2,903</u>
Net Increase (Decrease) in Cash and Equivalents	836,850	408,590	-	2,903
Beginning cash and cash equivalents	<u>525,578</u>	<u>70,206</u>	<u>9,474</u>	<u>147,957</u>
Ending Cash and Cash Equivalents	<u><u>\$ 1,362,428</u></u>	<u><u>\$ 478,796</u></u>	<u><u>\$ 9,474</u></u>	<u><u>\$ 150,860</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating (loss)	\$ (165,666)	\$ -	\$ -	\$ -
Adjustments to reconcile operating (loss) to net cash provided by operating activities:				
(Increase) Decrease in:				
Accounts receivable	34,648	-	-	-
Due from other funds	-	-	-	-
Increase (Decrease) in:				
Accrued expenses	80,484	7,958	-	2,903
Due to other funds	887,384	400,632	-	-
Net Cash Provided by Operating Activities	<u><u>\$ 836,850</u></u>	<u><u>\$ 408,590</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,903</u></u>

Total Internal Service Funds	
\$	3,618,770
	(307,775)
	(1,913,525)
	(149,127)
	<u>1,248,343</u>
	1,248,343
	<u>753,215</u>
\$	<u><u>2,001,558</u></u>

\$ (165,666)

	34,648
	-
	91,345
	<u>1,288,016</u>
\$	<u><u>1,248,343</u></u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS - EXHIBIT H-6

For the Year Ended August 31, 2021

	865	888	899	
	Student	Donations for	Magnolia	Total
	Activity	Projects	Livestock	Custodial
			Show	Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 264,261	\$ 22,595	\$ 33,178	\$ 320,034
Accounts receivable	12,122	-	-	12,122
Total Assets	<u>276,383</u>	<u>22,595</u>	<u>33,178</u>	<u>332,156</u>
<u>Net Position</u>				
Unrestricted	276,383	22,595	33,178	332,156
Total Net Position	<u>\$ 276,383</u>	<u>\$ 22,595</u>	<u>\$ 33,178</u>	<u>\$ 332,156</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS - EXHIBIT H-7

For the Year Ended August 31, 2021

	865	888	899	
	Student	Donations for	Magnolia	Total
	Activity	Projects	Livestock	Custodial
			Show	Funds
Additions:				
Fundraisers	\$ 275,277	\$ -	\$ -	\$ 275,277
Sales	-	-	207,188	207,188
Other	36,696	-	67,667	104,363
Total Additions	\$ 311,973	\$ -	\$ 274,855	\$ 586,828
Deductions:				
Student groups	270,483	-	-	270,483
Fees and dues	-	-	238,525	238,525
Other	-	433	39,104	39,537
Total Deductions	270,483	433	277,629	548,545
Change in Net Position	41,490	(433)	(2,774)	38,283
Beginning net position	234,893	23,028	35,952	293,873
Total Net Position	\$ 276,383	\$ 22,595	\$ 33,178	\$ 332,156

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE - EXHIBIT J-1

For the Year Ended August 31, 2021

	1	2	3
	Tax Rates		Net Assessed/ Appraised Value For School Tax Purposes
<u>Last Ten Years</u>	<u>Maintenance</u>	<u>Debt Service</u>	
2012 and prior	Various	Various	Various
2013	\$ 1.0400	\$ 0.3595	\$ 3,882,191,497
2014	\$ 1.0400	\$ 0.3595	\$ 4,127,425,795
2015	\$ 1.0400	\$ 0.3595	\$ 4,448,138,076
2016	\$ 1.0400	\$ 0.3595	\$ 5,136,608,436
2017	\$ 1.0400	\$ 0.3395	\$ 5,656,561,487
2018	\$ 1.0400	\$ 0.3395	\$ 6,002,349,971
2019	\$ 1.1400	\$ 0.2395	\$ 6,483,797,056
2020	\$ 0.9700	\$ 0.3395	\$ 7,194,618,479
2021	\$ 0.9349	\$ 0.3395	\$ 7,746,650,772
1000 Totals			

10	20	31	32	40	50
Beginning Balance 9/1/20	Current Year's Total Levy	Maintenance Total Collected	Debt Service Total Collected	Entire Year's Adjustments	Ending Balance 8/31/21
\$ 329,684	\$ -	\$ 14,745	\$ 4,885	\$ 54,291	\$ 255,763
75,412	-	8,537	1,977	317	64,581
78,298	-	10,192	2,360	570	65,176
94,775	-	10,431	2,416	1,247	80,681
111,049	-	21,661	5,017	(7,965)	92,336
169,620	-	42,346	12,764	(13,464)	127,974
272,701	-	86,113	28,111	(42,134)	200,611
384,050	-	137,415	28,869	(11,459)	229,225
1,187,555	-	577,181	202,013	(63,049)	471,410
-	94,805,546	68,874,754	25,011,209	(102,644)	1,022,227
<u>\$ 2,703,144</u>	<u>\$ 94,805,546</u>	<u>\$ 69,783,375</u>	<u>\$ 25,299,621</u>	<u>\$ (184,290)</u>	<u>\$ 2,609,984</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM - EXHIBIT J-2
For the Year Ended August 31, 2021

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
	<u>Revenues</u>				
5700	Local and intermediate sources	\$ 2,120,706	\$ 2,120,706	\$ 444,323	\$ (1,676,383)
5800	State program revenues	58,212	58,212	27,983	(30,229)
5900	Federal program revenues	3,922,471	3,922,471	1,443,455	(2,479,016)
5020	Total Revenues	<u>6,101,389</u>	<u>6,101,389</u>	<u>1,915,761</u>	<u>(4,185,628)</u>
	<u>Expenditures</u>				
	Current:				
0035	Food services	6,101,389	6,101,389	984,550	5,116,839
6030	Total Expenditures	<u>6,101,389</u>	<u>6,101,389</u>	<u>984,550</u>	<u>5,116,839</u>
1200	Net Change in Fund Balance	-	-	931,211	931,211
0100	Beginning fund balance	949,952	949,952	949,952	-
3000	Ending Fund Balance	<u>\$ 949,952</u>	<u>\$ 949,952</u>	<u>\$ 1,881,163</u>	<u>\$ 931,211</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND - EXHIBIT J-3

For the Year Ended August 31, 2021

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
	Revenues				
5700	Local and intermediate sources	\$ 24,829,257	\$ 24,829,257	\$ 25,617,380	\$ 788,123
5800	State program revenues	320,968	320,968	262,854	(58,114)
5020	Total Revenues	<u>25,150,225</u>	<u>25,150,225</u>	<u>25,880,234</u>	<u>730,009</u>
	Expenditures				
	Debt service:				
0071	Principal on long-term debt	11,595,000	11,595,000	11,595,000	-
0072	Interest on long-term debt	12,428,187	12,428,187	4,908,957	7,519,230
0073	Bond issuance costs and fees	1,127,038	1,127,038	1,127,038	-
6030	Total Expenditures	<u>25,150,225</u>	<u>25,150,225</u>	<u>17,630,995</u>	<u>7,519,230</u>
1100	Excess of Revenues				
1100	Over Expenditures	<u>-</u>	<u>-</u>	<u>8,249,239</u>	<u>8,249,239</u>
	Other Financing (Uses):				
7911	Bonds issued	-	110,330,000	110,330,000	-
7916	Bond premium	-	13,492,921	13,492,921	-
8949	Payment to bond escrow agent	-	(131,695,883)	(131,695,883)	-
7080	Total Other Financing (Uses)	<u>-</u>	<u>(7,872,962)</u>	<u>(7,872,962)</u>	<u>-</u>
1200	Net Change in Fund Balance	-	(7,872,962)	376,277	8,249,239
0100	Beginning fund balance	9,330,474	9,330,474	9,330,474	-
3000	Ending Fund Balance	<u>\$ 9,330,474</u>	<u>\$ 1,457,512</u>	<u>\$ 9,706,751</u>	<u>\$ 8,249,239</u>

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MAGNOLIA INDEPENDENT SCHOOL DISTRICT

USE OF FUNDS REPORT

FOR SELECT STATE ALLOTMENT PROGRAMS- EXHIBIT J-4

For the Year Ended August 31, 2021

<u>Data Control Codes</u>		<u>Responses</u>
<u>Section A: Compensatory Education Programs</u>		
AP1	Did your District expend any state compensatory education program state allotment funds during the District's fiscal year?	Yes
AP2	Does the District have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the District's fiscal year.	\$ 8,869,321
AP4	List the actual direct program expenditures for state compensatory education programs during the District's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 4,178,728
<u>Section B: Bilingual Education Programs</u>		
AP5	Did your District expend any biligual education program state allotment funds during the District's fiscal year?	Yes
AP6	Does the District have written policies and procedures for biligual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the District's fiscal year.	\$ 1,045,014
AP8	List the actual direct program expenditures for bilingual education programs during the District's fiscal year. (PICs 25, 35)	\$ 2,072,768

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***FEDERAL AWARDS AND
COMPLIANCE SECTION***



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

To the Board of Trustees of
Magnolia Independent School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Magnolia Independent School District (the "District"), as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 7, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
January 7, 2022



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees of
Magnolia Independent School District:

Report on Compliance for Each Major Federal Program

We have audited the Magnolia Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2021. The District's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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.

The logo features the names 'Belt Harris Pechacek' in a large, elegant, cursive script. Below the names, 'LLP' is written in a smaller, bold, sans-serif font.

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
January 7, 2022

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

For the Year Ended August 31, 2021

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

No prior year findings.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2021

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the District.
2. Significant deficiencies in internal control were not disclosed by the audit of the basic financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. Significant deficiencies in internal control over major federal award programs were not disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for the District are reported in Part C of this schedule.
7. The programs included as major programs are:

<u>AL Number(s)</u>	<u>Name of Federal Program Cluster</u>
84.010	IDEA B Cluster
84.425D	Elementary and Secondary School Emergency Relief
21.019	Coronavirus Relief Fund

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The District did qualify as a low-risk auditee.

B. FINDINGS – BASIC FINANCIAL STATEMENTS AUDIT

None Noted

C. FINDINGS – FEDERAL AWARDS AUDIT

None Noted

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT K-1

For the Year Ended August 31, 2021

(1)	(2)	(2A)	(3)
Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal AL Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through State Department of Education</i>			
Title I, Part A	84.010A	21610101170906	\$ 2,616,652
IDEA B, Formula Grant*	84.027A	216600011709066600	2,034,539
IDEA B, Preschool*	84.173A	216610011709066610	15,838
Carl D. Perkins	84.048A	21420006170906	157,894
English Language Acquisition State Grants	84.365A	21671001170906	201,781
Title II, Part A, Supporting Effective Instruction	84.367A	21694501170906	389,438
Teacher and School Leader Incentive Grants	84.365A	21671003170906	24,000
Title IV, Part A	84.424A	21680101170906	166,328
Elementary and Secondary School Emergency Relief II	84.425D	21521001170906	4,868,617
Elementary and Secondary School Emergency Relief III	84.425D	21528001170906	5,562,276
TOTAL U.S. DEPARTMENT OF EDUCATION			16,037,363
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through State Department of Education</i>			
School Breakfast Programs*	10.553A	806780706	123,969
National School Lunch*	10.555A	806780706	480,447
Summer Food Service Program*	10.559A	806780706	4,985,876
COVID-19 Child and Adult Care Food Program	10.558A	806780706	427,488
USDA Commodities	10.565A	806780706	411,551
TOTAL U.S. DEPARTMENT OF AGRICULTURE			6,429,331
U.S. DEPARTMENT OF TREASURY			
<i>Passed Through Montgomery County</i>			
Coronavirus Relief Fund	21.019	N/A	4,035,987
<i>Passed Through Texas Education Agency</i>			
Coronavirus Relief Fund	21.019	N/A	165,228
TOTAL U.S. DEPARTMENT OF TREASURY			4,201,215
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Houston-Galveston Area Council</i>			
Highway Planning and Construction	20.205	N/A	692,387
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			692,387
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 27,360,296
* Indicates clustered program under OMB Compliance Supplement			
The accompanying notes are an integral part of this schedule.			
Federal Revenue per SEFA			\$ 27,360,296
Medicaid Reimbursement - General Fund			2,225,808
C-2 Federal Revenue			<u>\$ 29,586,104</u>

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MAGNOLIA INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2021

NOTE 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the District. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the basic financial statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the SEFA, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

A. Prior Purchase Reimbursement Program

Expenditures in the amount of \$1,256,293 related to the federal grant program, Education Stabilization Fund, AL Number 84.425D, were incurred in the prior fiscal year; however, approval for these grant funds was not provided until fiscal year 2021. Accordingly, these expenditures have been listed on the fiscal year 2021 schedule.

Expenditures in the amount of \$199,673 related to the federal grant program, Coronavirus Relief Fund, AL Number 21.019, were incurred in the prior fiscal year; however, approval for these grant funds was not provided until fiscal year 2021. Accordingly, these expenditures have been listed on the fiscal year 2021 schedule.

NOTE 3: INDIRECT COST RATE

The District has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

NOTE 4: DONATED PERSONAL PROTECTIVE EQUIPMENT

During the emergency period of COVID-19, federal agencies and recipients of federal assistance funds donated personal protective equipment (PPE) to non-federal entities. In connection with that donation, the recipient must disclose the estimated value of the donated PPE, but such amounts are not included in the SEFA. The District did not receive PPE donations during the reporting year.

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MAGNOLIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO
SELECTED SCHOOL FIRST INDICATORS - EXHIBIT L-1
For the Year Ended August 31, 2021

Data Control Codes		Responses
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 District make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the District was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warranty hold was issued, the 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 District issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the 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 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 District's fiscal year end?	Yes
SF8	Did the Board members discuss the District's property values at a Board meeting within 120 days before the District adopted its budgets?	Yes
SF9	Total accumulated accretion on CAB's included in government-wide financial statements at fiscal year end.	\$ -

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