

LAKE WORTH INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
AUGUST 31, 2020

LAKE WORTH INDEPENDENT SCHOOL DISTRICT

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CERTIFICATE OF THE BOARD

Lake Worth Independent School District

Name of School District

Tarrant

County

220-910

Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the Lake Worth Independent School District were reviewed and (check one) ____ approved ____ disapproved for the year ended August 31, 2020, at a meeting of the board of trustees of such school district on the ____ day of _____, 2021.

Signature of Board Secretary

Signature of Board President

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Lake Worth Independent School District
6805 Telephone Road
Lake Worth, Texas 76135

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 Lake Worth Independent School District (the "District") as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2020, and the respective changes in financial position 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 and budgetary comparison information on pages 6-14 and 61 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. Also included as required supplementary information are the following schedules related to the Teacher Retirement System (TRS) of Texas: Schedule of the District's Proportionate Share of the Net Pension Liability – TRS of Texas, Schedule of District Contributions – TRS of Texas, Schedule of the District's Proportionate Share of the Net OPEB Liability – TRS of Texas, Schedule of District Contributions for Other Post-Employment Benefits – TRS of Texas, and the Notes to Required Supplementary Information as reported on pages 62 through 68 respectively. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining fund financial statements and the required Texas Education Agency schedules are presented for purposes of additional analysis and are not a required part 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* 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 fund financial statements, the required Texas Education Agency schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements, the required Texas Education Agency schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1, J-4, and J-5. This information has 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 15, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing on 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.

Kirk & Richardson, P.C.

Kirk & Richardson, P.C.
Fort Worth, Texas
January 15, 2021



Lake Worth Independent School District

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED AUGUST 31, 2020 UNAUDITED

As management of the Lake Worth Independent School District (the "District"), we offer this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2020. Please read this narrative in conjunction with the independent auditor's report and the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District entered into a Maintenance Tax Note, Series 2020 in the amount of \$3,165,000 for energy savings and replacement of HVAC units.
- The net position of the District at the close of its fiscal year was \$(17,712,659), a decrease of \$(3,397,235) from current year operations over last year's net position of \$(14,315,424). Unrestricted net position, at the end of the fiscal year, was \$(18,061,366) as compared to \$(16,858,383) last year. Net investment in capital assets is \$(2,256,494) a decrease of \$(2,845,185) from last year's balance of \$588,691. The remaining \$2,605,201 restricted net position as follows:

Federal and State Programs	\$ 467,354
Debt Service	411,454
Capital Projects	1,626,047
Campus Activities	100,346
Total	<u>\$2,605,201</u>

- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$15,955,570 for a net increase of \$723,503 over the prior fiscal year balance of \$15,232,067. The General Fund net increase was \$63,302 consisting of \$37,931 increase from current year operations, another \$7,542 increase from Other Resources – Co-op Distribution, and a Transfer Out of \$(25,368) to the National Breakfast & Lunch Program. The Debt Service Fund decreased by \$(707,862) from current year operations. Other Funds had a net increase of \$1,368,063 as follows:

Special Revenue Funds:	
National Breakfast & Lunch Program – decrease from operations	\$(295,659)
Campus Activity Funds – increase from operations	12,307
Net change due to operations	<u>\$(283,352)</u>
Special Revenue Funds:	
Transfer In - National Breakfast & Lunch Program	<u>\$25,568</u>
Capital Projects Fund:	
Decrease from operations	\$(1,865,524)
Other Resources – non-current loans	\$3,165,000
Other Resources – premium or discount on issuance of bonds	326,571
Total Other Resources	<u>\$3,491,571</u>

- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$12,684,701 or 35% of total General Fund current year expenditures. Prior year unassigned fund balance for the General Fund was \$12,733,168, or 37% of total General Fund expenditures.
- No new programs were added during the year.



OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Government-wide financial statements - These statements provide information about the activities of the District as a whole and present both a long-term and a short-term view of the District's finances. The government-wide financial statements include the statement of net position and the statement of activities.

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

The statement of activities presents information on all the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (government activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The District does not have any business-type activities.

- Fund financial statements – These statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. Some funds are required by State law and/or bond covenants. Other funds may be established by the Board to control and manage money for a particular purpose or to show that it is properly using certain taxes or grants.

All the funds of the District can be divided into three categories; governmental funds, proprietary funds, and fiduciary funds.

- Governmental funds – these financial statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget.
- Proprietary funds – these financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the revenues covered the expenses of the goods or services. The District has no proprietary funds.



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- Fiduciary funds – these financial statements provide information about activities for which the District acts solely as a trustee or agent for the benefit of others, for example, student activity funds and scholarships for graduating students. 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 operations.
- Notes to the financial statements - The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide statements and the fund financial statements.
- Other information – This annual report contains other supplementary information in addition to the basic financial statements and the notes to the financial statements. The Management’s Discussion and Analysis is required supplementary information under governmental accounting standards. The “Combining Schedules” for nonmajor funds contain even more information about the District’s individual funds. The “Required Texas Education Agency Schedules” and “Reports on Internal Controls, Compliance, and Federal Awards” contain data used by monitoring or regulatory agencies for assurance that the District is using supplied funds in compliance with terms of grants.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the state of net position (Table 1) and the statement of activities (Table 2) of the District’s governmental activities.



Lake Worth Independent School District

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Table 1
Statement of Net Position

	Governmental Activities	
	2020	2019
ASSETS:		
Current and other assets	\$ 20,853,507	\$ 22,310,392
Capital assets	62,868,524	65,429,954
Total assets	83,722,031	87,740,346
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred charges for refunding	6,224,967	6,750,014
TRS – Pension	5,895,670	6,734,482
TRS – Other Post-Employment Benefits	2,867,137	1,855,895
Total deferred outflow of resources	14,987,774	15,340,391
LIABILITIES:		
Current liabilities	5,133,752	7,348,400
Long-term liabilities	77,216,198	78,098,026
Sub-totals	82,349,950	85,446,426
TRS - Pension (District's share)	11,846,146	12,308,225
TRS – Other Post-Employment Benefits (District's share)	14,167,180	14,410,153
Total liabilities	108,363,276	112,164,804
DEFERRED INFLOW OF RESOURCES:		
TRS – Pension	1,930,255	674,520
TRS – Other Post-Employment Benefits	6,128,933	4,556,837
Total deferred inflows of resources	8,059,188	5,231,357
NET POSITION:		
Net investment in capital assets	(2,256,494)	588,691
Restricted	2,605,201	1,954,268
Unrestricted	(18,061,366)	(16,858,383)
Total net position	\$(17,712,659)	\$(14,315,424)

A portion of net position, \$(2,256,494) reflects the District's net investment in capital assets (e.g., land, buildings, furniture and equipment, and accumulated depreciation), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



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Table 2
Statement of Activities

	Governmental Activities	
	2020	2019
REVENUES:		
Program revenues:		
Charges for services	\$ 498,670	\$ 695,205
Operating grants and contributions	7,751,362	7,197,207
General revenues:		
Maintenance and operations taxes	11,559,318	11,517,328
Debt service taxes	5,409,636	4,921,936
State aid – formula grants	21,863,798	19,134,190
Grants and contributions not restricted	911,840	2,566,335
Investment earnings	238,864	532,785
Miscellaneous local & intermediate revenue	155,499	143,412
Special Item – mineral rights	43,197	70,089
Total revenues	48,432,184	46,778,487
EXPENSES:		
Instruction & instructional-related services	26,980,291	23,551,535
Instructional & school leadership	3,518,673	3,070,496
Support service – student (pupil)	8,290,366	7,538,679
Administrative support services	1,935,668	1,795,887
Support services – non-student based	7,814,455	6,369,144
Community services	514,741	532,702
Debt service	2,683,785	2,876,707
Intergovernmental charges	91,440	152,866
Total expenses	51,829,419	45,888,016
Increase/(Decrease) in net position before inflows/outflows	(3,397,235)	890,471
Net position beginning of year	(14,315,424)	(15,205,895)
Prior period adjustment	0	0
Net position end of year	\$(17,712,659)	\$(14,315,424)

Governmental Revenue by Source

	Governmental Activities	
	2020	2019
Program Revenues:		
Charges for services	1.0%	1.5%
Operating grants and contributions	16.0%	15.4%
General Revenues:		
Maintenance & operating taxes	23.9%	24.6%
Debt service taxes	11.2%	10.5%
State aid – formula grants	45.1%	40.9%
Grants and contributions not restricted	1.9%	5.5%
All others	0.9%	1.6%
Total Revenues	100.0%	100.0%



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Governmental Expenses by Function

	Governmental Activities	
	2020	2019
Instruction & instructional-related services	52.1%	51.3%
Instructional & school leadership	6.8%	6.7%
Support services -student (pupil)	16.0%	16.4%
Administrative support services	3.7%	3.9%
Support services – non-student based	15.1%	13.9%
Community services	1.0%	1.2%
Debt service	5.2%	6.3%
Intergovernmental charges	0.1%	0.3%
Total Expenses	100.0%	100.0%

The District's net position decreased by \$(3,397,235) from the current fiscal year operation from last year as shown below.

- 1) Total net change in Fund Balances – Governmental Funds: \$723,503
- 2) Capital outlays and long-term debt principal: \$907,615
- 3) Depreciation: \$(3,121,532)
- 4) GASB 68 adjustments: \$(1,632,468)
- 5) GASB 75 adjustments: \$(317,881)
- 6) Other miscellaneous adjustments: \$43,528

The District is required under GASB 68 and GASB 75 to report its proportionate share of the unfunded liability associated with the Teacher Retirement System of Texas (TRS) pension plan and TRS – other post-employment benefits. The required entries to record the effects of GASB 68 and GASB 75 are book entries only in the statement of governmental activities and do not affect the funding of the District. These entries decreased the District's ending net position and are discussed in greater detail in the notes to the financial statements.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

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

The District's governmental funds reported a combined ending fund balance of \$15,955,570, a net increase of \$723,503 over last year's combined fund balance of \$15,232,067. The unassigned fund balance is \$12,684,701, or 79.5%, is available for spending at the District's discretion. The remainder of fund balance is not available for discretionary spending because it is classified as nonspendable, restricted, or committed to the following items:



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	General Fund	Debt Service Fund	Other Funds	Totals
Nonspendable fund balance:				
Inventories	\$ 25,349	\$ 0	\$ 0	\$ 25,349
Prepaid items	122,290	0	0	122,290
Restricted fund balance:				
Federal or state funds grant restrictions:				
National Breakfast & Lunch Program	0	0	467,354	467,354
Capital acquisition & contractual obligations	0	0	1,626,047	1,626,047
Retirement of long-term debt	0	929,483	0	929,483
Committed fund balance:				
Campus activity funds	0	0	100,346	100,346
Unassigned fund balance	12,684,701	0	0	12,684,701
Total fund balances	<u>\$12,832,340</u>	<u>\$929,483</u>	<u>\$2,193,747</u>	<u>\$15,955,570</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories:

1. Amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we originally estimated).
2. Major amendments were to increase in Function 11 – Instruction by \$2,171,201 related to increased operating cost related to increasing number of students. Higher than anticipated operating costs resulted in amendments to Function 51 – Facilities maintenance & operations and Function 53 – Data processing services in the amounts of \$558,623 and 758,013, respectively. Function 81- Facilities Acquisition & Construction was amended by \$644,256 for energy savings and replacement of HVAC units. Other amendments were made throughout the year for unexpected costs not anticipated in the original budget.
3. Amendments to move funds from programs that did not need all the resources originally appropriated to programs with resource needs.

The District's actual General Fund balance of \$12,832,340 differs from the General Fund's budgetary fund balance of \$8,843,343. The difference of \$3,988,997 is primarily due to actual expenditures that were \$4,211,727 less than budgeted expenditures. Function 11 – Instruction accounted for \$2,287,580 of this amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investments in capital assets for its governmental activities at the end of this fiscal year amounts to \$62,868,524 (net of accumulated depreciation) for a net decrease of \$2,561,430, or 3.9% from last year.

More detailed information about the District's capital assets is presented in the notes to the financial statements.



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CAPITAL ASSETS

	2020	2019
Land	\$ 2,168,883	\$ 2,168,883
Buildings & improvements	100,284,323	100,101,160
Furniture & equipment	8,559,917	8,182,978
Less depreciation	(48,144,599)	(45,023,067)
Totals	\$ 62,868,524	\$ 65,429,954

Long Term Debt

At year-end, the District had \$103,229,524 in long-term debt versus \$104,816,404 last year, for a net decrease of \$(1,586,880). This District added a Maintenance Tax Note of \$3,165,000 as previously discussed.

LONG TERM DEBT

	Governmental Activities	
	2020	2019
Bonds payable	\$ 60,773,764	\$ 63,890,859
Accreted interest	5,590,072	6,060,956
Unamortized premium/(discount)	7,411,221	7,700,417
Maintenance tax note	3,165,000	0
Capital leases	276,141	445,794
Sub-totals	77,216,198	78,098,026
Net pension liability (District share – TRS)	11,846,146	12,308,225
Net OPEB liability (District share – TRS)	14,167,180	14,410,153
Totals	\$103,229,524	\$104,816,404

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected officials and appointed officials considered many factors when setting the fiscal year 2020-2021 budget and tax rates. This included the financial changes as a result of HB3 and the recent pandemic of COVID-19. The demographer report indicating a 1% increase in student growth for 2020-2021 along with a moderate increase in property values was used to estimate the increase in revenue for 2020-2021.

Budgeting for a slight increase in student growth and additional funds as a result of HB3, the district budgeted to increase the salary of teachers across the board, budgeted a 4% from midpoint raise for all staff, and targeted market salary adjustments. The 2020-2021 budget continues to include a one-time employee stipend. The District will continue to provide a free breakfast to all Students in fiscal year 2020-2021. Budgeted expenditures for 2020-2021 resulted in a decrease overall by 8.32% compared to 2019-2020.

The District is currently at \$0.4621 per \$100 of valuation for the interest and sinking fund. Due to legislative changes, the maintenance and operations tax rate was reduced to \$1.0481 per \$100 valuation for the general fund. This change resulted in a total tax rate of \$1.51 for the 2020-2021 school year.

The District is continuing to work with its financial advisors and bond advisors to refinance bonded indebtedness and explore the possibility of sale of bonds for future projects.



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CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the information, contact the Business Office, at Lake Worth Independent School District, 6805 Telephone Road, Lake Worth, Texas 76135, 817-306-4200.



BASIC FINANCIAL STATEMENTS

LAKE WORTH INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2020

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 3,157,738
1120 Current Investments	14,341,472
1220 Property Taxes - Delinquent	529,298
1230 Allowance for Uncollectible Taxes	(247,084)
1240 Due from Other Governments	2,858,389
1267 Due from Fiduciary Funds	443
1300 Inventories	90,961
1410 Prepayments	122,290
Capital Assets:	
1510 Land	2,168,883
1520 Buildings, Net	59,081,409
1530 Furniture and Equipment, Net	1,618,232
1000 Total Assets	83,722,031
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	6,224,967
1705 Deferred Outflow Related to TRS Pension	5,895,670
1706 Deferred Outflow Related to TRS OPEB	2,867,137
1700 Total Deferred Outflows of Resources	14,987,774
LIABILITIES	
2110 Accounts Payable & Bank Overdrafts	2,182,698
2140 Interest Payable	518,029
2150 Payroll Deductions and Withholdings	117,343
2160 Accrued Wages Payable	1,868,144
2177 Due to Fiduciary Funds	183
2180 Due to Other Governments	338,624
2300 Unearned Revenue	108,731
Noncurrent Liabilities:	
2501 Due Within One Year	2,636,434
2502 Due in More Than One Year	74,579,764
2540 Net Pension Liability (District's Share)	11,846,146
2545 Net OPEB Liability (District's Share)	14,167,180
2000 Total Liabilities	108,363,276
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	1,930,255
2606 Deferred Inflow Related to TRS OPEB	6,128,933
2600 Total Deferred Inflows of Resources	8,059,188
NET POSITION	
3200 Net Investment in Capital Assets	(2,256,494)
3820 Restricted for Federal and State Programs	467,354
3850 Restricted for Debt Service	411,454
3860 Restricted for Capital Projects	1,626,047
3870 Restricted for Campus Activities	100,346
3900 Unrestricted	(18,061,366)
3000 Total Net Position	\$ (17,712,659)

The notes to the financial statements are an integral part of this statement.

LAKE WORTH INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
		Charges for	Operating	Primary Gov.
	Expenses	Services	Grants and Contributions	Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 25,574,507	\$ 255,608	\$ 3,752,833	\$ (21,566,066)
12 Instructional Resources and Media Services	409,130	-	29,726	(379,404)
13 Curriculum and Instructional Staff Development	996,654	-	442,914	(553,740)
21 Instructional Leadership	916,548	-	77,406	(839,142)
23 School Leadership	2,602,125	-	215,280	(2,386,845)
31 Guidance, Counseling, and Evaluation Services	1,188,077	-	439,123	(748,954)
32 Social Work Services	362,257	-	7,391	(354,866)
33 Health Services	472,265	-	36,430	(435,835)
34 Student (Pupil) Transportation	1,705,845	-	173,484	(1,532,361)
35 Food Services	2,628,107	91,048	2,040,091	(496,968)
36 Extracurricular Activities	1,933,815	152,014	73,196	(1,708,605)
41 General Administration	1,935,668	-	104,696	(1,830,972)
51 Facilities Maintenance and Operations	5,947,988	-	214,698	(5,733,290)
52 Security and Monitoring Services	210,235	-	-	(210,235)
53 Data Processing Services	1,656,232	-	80,688	(1,575,544)
61 Community Services	514,741	-	63,406	(451,335)
72 Debt Service - Interest on Long-Term Debt	2,559,333	-	-	(2,559,333)
73 Debt Service - Bond Issuance Cost and Fees	124,452	-	-	(124,452)
93 Payments Related to Shared Services Arrangements	6,229	-	-	(6,229)
99 Other Intergovernmental Charges	85,211	-	-	(85,211)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 51,829,419	\$ 498,670	\$ 7,751,362	(43,579,387)

Data Control Codes	General Revenues: Taxes:		
MT	Property Taxes, Levied for General Purposes		11,559,318
DT	Property Taxes, Levied for Debt Service		5,409,636
SF	State Aid - Formula Grants		21,863,798
GC	Grants and Contributions not Restricted		911,840
IE	Investment Earnings		238,864
MI	Miscellaneous Local and Intermediate Revenue		155,499
SI	Special Item - Mineral Rights		43,197
TR	Total General Revenues and Special Items		40,182,152
CN	Change in Net Position		(3,397,235)
NB	Net Position - Beginning		(14,315,424)
NE	Net Position - Ending		\$ (17,712,659)

The notes to the financial statements are an integral part of this statement.

LAKE WORTH INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2020

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 2,589,570	\$ 598	\$ 567,570	\$ 3,157,738
1120 Investments - Current	10,879,491	1,202,357	2,259,624	14,341,472
1220 Property Taxes - Delinquent	367,852	161,446	-	529,298
1230 Allowance for Uncollectible Taxes	(172,809)	(74,275)	-	(247,084)
1240 Due from Other Governments	1,530,955	67,802	1,259,632	2,858,389
1260 Due from Other Funds	21,219	17,946	2,653	41,818
1300 Inventories	25,349	-	65,612	90,961
1410 Prepayments	122,290	-	-	122,290
1000 Total Assets	<u>\$ 15,363,917</u>	<u>\$ 1,375,874</u>	<u>\$ 4,155,091</u>	<u>\$ 20,894,882</u>
LIABILITIES				
2110 Accounts Payable & Bank Overdrafts	\$ 332,373	\$ -	\$ 1,850,325	\$ 2,182,698
2150 Payroll Deductions and Withholdings Payable	117,343	-	-	117,343
2160 Accrued Wages Payable	1,868,144	-	-	1,868,144
2170 Due to Other Funds	18,674	20,596	2,288	41,558
2180 Due to Other Governments	-	338,624	-	338,624
2300 Unearned Revenue	-	-	108,731	108,731
2000 Total Liabilities	<u>2,336,534</u>	<u>359,220</u>	<u>1,961,344</u>	<u>4,657,098</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	195,043	87,171	-	282,214
2600 Total Deferred Inflows of Resources	<u>195,043</u>	<u>87,171</u>	<u>-</u>	<u>282,214</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	25,349	-	-	25,349
3430 Prepaid Items	122,290	-	-	122,290
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	467,354	467,354
3470 Capital Acquisition and Contractual Obligation	-	-	1,626,047	1,626,047
3480 Retirement of Long-Term Debt	-	929,483	-	929,483
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	100,346	100,346
3600 Unassigned Fund Balance	12,684,701	-	-	12,684,701
3000 Total Fund Balances	<u>12,832,340</u>	<u>929,483</u>	<u>2,193,747</u>	<u>15,955,570</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 15,363,917</u>	<u>\$ 1,375,874</u>	<u>\$ 4,155,091</u>	<u>\$ 20,894,882</u>

The notes to the financial statements are an integral part of this statement.

LAKE WORTH INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2020

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 15,955,570
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$110,453,021 and the accumulated depreciation was \$(45,023,067). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.	(6,426,819)
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. New long-term debt issuances are shown as other financing resources in the fund financial statements, but they should be shown as an increase in long-term debt. The net effect of including the 2020 capital outlays, debt principal payments, and new long-term debt issuances is to increase net position.	907,615
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$5,895,670, a deferred resource inflow in the amount of \$1,930,255, and a net pension liability in the amount of \$11,846,146. This resulted in a decrease in net position.	(7,880,731)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$2,867,137, a deferred resource inflow in the amount of \$6,128,933, and a net OPEB liability in the amount of \$14,167,180. This resulted in a decrease in net position.	(17,428,976)
5 The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(3,121,532)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	282,214
19 Net Position of Governmental Activities	\$ (17,712,659)

The notes to the financial statements are an integral part of this statement.

LAKE WORTH INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT C-3

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 12,139,755	\$ 5,452,023	\$ 219,492	\$ 17,811,270
5800 State Program Revenues	23,715,140	67,802	355,926	24,138,868
5900 Federal Program Revenues	824,329	-	4,291,176	5,115,505
5020 Total Revenues	36,679,224	5,519,825	4,866,594	47,065,643
EXPENDITURES:				
Current:				
0011 Instruction	20,172,502	-	1,766,004	21,938,506
0012 Instructional Resources and Media Services	301,547	-	36	301,583
0013 Curriculum and Instructional Staff Development	510,892	-	413,655	924,547
0021 Instructional Leadership	832,341	-	3,060	835,401
0023 School Leadership	2,288,196	-	991	2,289,187
0031 Guidance, Counseling, and Evaluation Services	679,497	-	376,215	1,055,712
0032 Social Work Services	357,246	-	-	357,246
0033 Health Services	418,192	-	-	418,192
0034 Student (Pupil) Transportation	1,453,957	-	54,131	1,508,088
0035 Food Services	-	-	2,363,088	2,363,088
0036 Extracurricular Activities	1,307,877	-	111,793	1,419,670
0041 General Administration	1,634,848	-	-	1,634,848
0051 Facilities Maintenance and Operations	3,983,514	-	48,411	4,031,925
0052 Security and Monitoring Services	210,235	-	-	210,235
0053 Data Processing Services	1,582,739	-	-	1,582,739
0061 Community Services	462,564	-	12,510	475,074
Debt Service:				
0071 Principal on Long-Term Debt	169,652	3,117,095	-	3,286,747
0072 Interest on Long-Term Debt	22,174	3,089,496	-	3,111,670
0073 Bond Issuance Cost and Fees	-	21,096	103,356	124,452
Capital Outlay:				
0081 Facilities Acquisition and Construction	161,880	-	1,762,220	1,924,100
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	6,229	-	-	6,229
0099 Other Intergovernmental Charges	85,211	-	-	85,211
6030 Total Expenditures	36,641,293	6,227,687	7,015,470	49,884,450
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	37,931	(707,862)	(2,148,876)	(2,818,807)
OTHER FINANCING SOURCES (USES):				
7914 Non-Current Loans	-	-	3,165,000	3,165,000
7915 Transfers In	-	-	25,368	25,368
7916 Premium or Discount on Issuance of Bonds	-	-	326,571	326,571
7949 Other Resources - Co-op Distribution	7,542	-	-	7,542
8911 Transfers Out (Use)	(25,368)	-	-	(25,368)
7080 Total Other Financing Sources (Uses)	(17,826)	-	3,516,939	3,499,113
SPECIAL ITEMS:				
7918 Special Item - Mineral Rights	43,197	-	-	43,197
1200 Net Change in Fund Balances	63,302	(707,862)	1,368,063	723,503
0100 Fund Balance - September 1 (Beginning)	12,769,038	1,637,345	825,684	15,232,067
3000 Fund Balance - August 31 (Ending)	\$ 12,832,340	\$ 929,483	\$ 2,193,747	\$ 15,955,570

The notes to the financial statements are an integral part of this statement.

LAKE WORTH INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 723,503
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. New long-term debt issuances are shown as other financing resources in the fund financial statements, but they should be shown as an increase in long-term debt. The net effect of including the 2020 capital outlays, debt principal payments, and new long-term debt issuances is to increase net position.	907,615
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(3,121,532)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	43,528
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in net position to increase by \$901,384. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$797,488. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$1,736,364. The net result is a decrease in the change in net position.	(1,632,468)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in net position to increase by \$220,132. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling \$212,565. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by \$325,448. The net result is a decrease in the change in net position.	(317,881)
Change in Net Position of Governmental Activities	\$ (3,397,235)

The notes to the financial statements are an integral part of this statement.

LAKE WORTH INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2020

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 2,282	\$ 23,501
Due from Other Funds	-	183
Restricted Assets	111,000	-
Total Assets	<u>113,282</u>	<u>\$ 23,684</u>
LIABILITIES		
Due to Other Funds	-	\$ 443
Due to Other Governments	-	8,860
Due to Student Groups	-	14,381
Total Liabilities	<u>-</u>	<u>\$ 23,684</u>
NET POSITION		
Restricted for Scholarships	<u>113,282</u>	
Total Net Position	<u>\$ 113,282</u>	

The notes to the financial statements are an integral part of this statement.

LAKE WORTH INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

	Private Purpose Trust Funds
ADDITIONS:	
Earnings from Temporary Deposits	\$ 1,301
Contributions, Gifts and Donations	10,600
Total Additions	<u>11,901</u>
DEDUCTIONS:	
Other Deductions	<u>14,400</u>
Total Deductions	<u>14,400</u>
Change in Fiduciary Net Position	(2,499)
Total Net Position - September 1 (Beginning)	<u>115,781</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 113,282</u></u>

The notes to the financial statements are an integral part of this statement.

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lake Worth Independent School District (the “District”) is a public education agency operating under the applicable laws and regulations of the State of Texas. The District prepares its’ basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in GASB Statement 76, and it complies with the requirements of the appropriate version of the Texas Education Agency’s *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

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

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

The District’s investments are accounted for using the cost amortization method.

The following is a summary of the most significant accounting policies.

A. Reporting Entity

The District’s Board of Trustees (the “Board”), consisting of seven members, has governance responsibilities over all activities related to public school education within the District. The daily functioning of the District is under the supervision of the Superintendent. Board members are elected by the public, have the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by Governmental Accounting Standards Board (GASB) in its *Statement No. 14, The Financial Reporting Entity*. There are no component units included within the reporting entity.

B. Basis of Presentation – Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues. *Business-type*

activities include operations that rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The “charges for services” column include payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the District, school lunch charges, etc. The “grants and contributions” column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all District functions. Taxes are always general revenues.

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

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund State of Revenues, Expenditures, and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

C. Basis of Presentation - Fund Financial Statements

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues, and expenditures. The fund statements are prepared on a current financial resources measurement focus and the modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and the basis of accounting than the government-wide statements’ governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements.

The District reports the following major government funds:

The General Fund— The General Fund is the District’s general operating fund. It is used to account for all financial transactions except for those required to be accounted for in another fund. Major revenue sources include local property taxes and state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the District except for costs incurred by programs accounted for in other funds. The General Fund is always considered a major fund as defined by GASB 34. The General Fund is a budgeted fund, and any fund balances are considered resources for current and future operations.

Debt Service Fund – This fund, which is a budgeted fund, accounts for the resources accumulated and payments made on long-term general obligation debt of governmental funds. Revenues include collections of general property taxes, state funding under the Instructional Facilities and Existing Debt Allotments, and earnings on investments of the fund. Expenditures of the fund are for the retirement of bonds and payments of interest on the bonded debt. The fund balance represents the amount that is available for the retirement of bonds and payment of interest in the future.

In addition, the District maintains the following funds:

Governmental Funds:

Special Revenue Funds – The District accounts for resources restricted to, or designated for, specific purposes by the District or grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

The District's Food Service Fund (National Breakfast and Lunch Program) is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Breakfast and Lunch Program, (2) the General Fund subsidizes the Food Service Program for all expenditures in excess of the National Breakfast and Lunch Program, and (3) the District does not consider the Food Service Program completely self-supporting. Food Service fund balances are used exclusively for child nutrition program purposes. This is a budgeted fund.

The Capital Projects Fund – This fund, which is an unbudgeted fund, is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction, renovations, and technology projects/enhancements.

Proprietary Funds:

The District does not have any Proprietary Funds.

Fiduciary Funds:

Private-purpose Trust Fund – This fund is used to account for all trust agreements under which the principal and income benefit a specific school or group of students.

Fiduciary Funds – Agency Funds – The Agency Fund is custodial in nature and accounts for activities of student groups and other types of activities requiring clearing accounts. The fund has no equity. Assets are equal to liabilities and do not include revenues and expenditures for general operations of the District. This accounting reflects the District's agency relationship with student activity organizations. Fiduciary funds use the accrual basis of accounting to recognize assets and liabilities.

The District does not have any permanent funds.

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and the basis of accounting. Measurement focus indicates the type of resources being

measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing resources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available and recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences, claims, and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collected within 60 days after year-end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the “susceptible to accrual” concept, that is, when they are both measurable and available. The District considers them “available” if they will be collected within 60 days of the end of the fiscal year. Property taxes received after the 60-day period are not considered available and, therefore, are recorded as the deferred inflow of resources in the Governmental Funds Balance Sheet. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until received. Investment earnings are recorded as earned since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

Management’s Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimations and assumptions that affect the reported amounts of assets and liabilities at the date of the financial

statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

The amount of state foundation revenue and the related receivables and liabilities a district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year.

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

1. Cash and Cash Equivalents - The District's cash and cash equivalents are considered as cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.
2. Investments are recorded at fair value. Investments are primarily in insured cash accounts and municipal securities and are not significantly affected by an impairment of the credit standing of the issues or other factors.
3. Inventories and Prepaid Items - The District uses the consumption method to account for inventories of school supplies and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting, and are subsequently charged to expenditures when consumed. In the General Fund, reported inventories are offset by a fund balance reserve.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayment in both government-wide and fund financial statements.

4. Other Receivables and Payables - These may include amounts due from local, state, and federal agencies resulting from an excess of expenditures over revenues incurred, accrued liabilities, interest payable, and accrued wages payable.
5. Interfund Activities - During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between 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 funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

6. Encumbrances - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in the accounting system in order to reserve a portion of the applicable appropriation, is employed in the governmental fund types on the governmental fund financial statements. Encumbrances are liquidated at year-end.

7. **Capital Assets** - Capital assets, which include land, buildings and improvements, furniture and equipment, and construction in progress, are reported in the applicable governmental column in the government-wide financial statements. The cost of the infrastructure (e.g., roads, bridges, sidewalks, and similar items) was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

Asset Classification	Useful Life
Buildings and improvements	15-30
Furniture & equipment	5-10

Land and construction in progress are not depreciable.

8. **Unearned Revenues** - Unearned revenues represent revenues received by the District but not yet earned and are not available for use by the District to liquidate current year liabilities. A summary of unearned revenues by fund follows:

Special Revenue Funds:	
National Breakfast & Lunch Program	\$ 65,612
Advanced Placement Incentives	74
State Instructional Materials	13,045
Special Education Fiscal Support	30,000
Total	<u>\$108,731</u>

9. **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 activity. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Deferred loss on refunding will be recognized as a deferred outflow of resources and amortized to interest expense over the life of the bonds. Bond issuance costs are expensed in the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. **Deferred Outflows/Inflow of Resources** - In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources

is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District had the following deferred outflows of resources:

- Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. During the current year, the District had \$6,224,967 in deferred charges for refunding.
- Deferred outflows of resource related to TRS pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actuarial experience. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. During the current year, the District had \$5,895,670 deferred outflow related to TRS in accordance with GASB 68. This amount consisted of \$4,994,286 for total net amounts per TRS August 31, 2019 measurement date and \$901,384 for contributions paid to TRS subsequent to the measurement date.
- Deferred outflow of resources related to TRS OPEB – Reported in the government-wide financial statement of net position, this deferred outflow results related to TRS OPEB contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actuarial experience. The deferred outflows of resources related to TRS OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net TRS OPEB liability in the next fiscal year. During the current year, the District had \$2,867,137 deferred outflow related to TRS OPEB in accordance with GASB 75. This amount consisted of \$2,647,005 for total net amounts per TRS OPEB August 31, 2019 measurement date and \$220,132 for contributions paid to TRS OPEB subsequent to the measurement date.

In addition to liabilities, the District will sometimes report a separate section for deferred inflow of resources. A deferred inflow of resources is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District had three items that qualify for reporting in this category:

- Deferred inflow of resources for unavailable revenues – Reported only in the governmental funds balance sheet, for unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of revenues in the period that the amounts become available. During the current year, the District recorded deferred inflow of resources \$195,043 and \$87,171 as unavailable revenues – property taxes with the General Fund and Debt Service Fund respectively.
- Deferred inflow of resources for pensions – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. During the current year, the

District recorded \$1,930,255 for total net amounts per TRS August 31, 2019 measurement date in accordance with GASB 68.

- Deferred inflow of resources related to TRS OPEB – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on TRS OPEB investments. During the current year, the District recorded \$6,128,933 for total net amounts per TRS OPEB August 31, 2019 measurement date in accordance with GASB 75.
11. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
12. Net Position Flow Assumptions - Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. When both restricted and unrestricted resources are available for use in a specific program or for a specific purpose, the District's normal policy is to use the restricted resource to finance its activities.

The Government-wide Statement of Net Position includes the following:

Net investment in capital assets - the component of net position that reports capital assets less both the accumulated depreciation and the outstanding balance of debt and is directly attributable to the acquisition, construction, or improvement of these capital assets.

Restricted for federal and state programs – the component of net position that reports the difference between assets and liabilities related to federal and state programs that consist of assets with constraints placed on their use by granting agencies.

Restricted for debt service – the component of net position that reports the difference between assets and liabilities adjusted on a government-wide basis that consists of assets with constraints placed on their use by the bond covenants.

Restricted for capital projects – funds that have been assigned for future expenditures for equipment. The District does not have any restrictions for capital projects.

Restricted for campus activities – funds that have been committed solely for the use by various campuses within the District.

Restricted for other purposes – funds that have been designated by the District to classify locally funded grants. The District does not have any restrictions for other purposes.

Unrestricted net position - the difference between the assets and liabilities that are not reported in net investment in capital assets or restricted net position.

13. 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, the committed fund balance is depleted first, followed by assigned fund balance. The unassigned fund balance is applied last.
14. Fund Balance Policies - In the fund financial statements, government funds report fund balances as either a non-spendable fund balance or a spendable fund balance.

Non-spendable fund balance – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements. Examples include inventories, long-term receivables, endowment principal, and/or prepaid/deferred items.

Spendable fund balance – Spendable fund balance includes restricted, committed, assigned, and unassigned components. These components can be described as follows:

Restricted fund balance – the component of the spendable fund balance constrained to a specific purpose by a provider, such as a creditor, grantor, contributor, or law or regulation of other governments. Restricted fund balance includes funds for federal/state grants, long-term debt service, and other restrictions.

Committed fund balance – the component of spendable fund balance constrained to a specific purpose by the Board. A Board resolution is required to establish, modify, or rescind a fund balance commitment. Only the action that constitutes the most binding constraint of the Board can be considered a commitment for fund balance classification purposes. Committed fund balance includes funds for campus activity funds.

Assigned fund balance – the component of the spendable fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Board of Trustees or by an official or body to which the Board of Trustees delegates. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is a specific purpose that is narrower than the general purposes of the District itself. The District does not have assigned fund balances.

Unassigned fund balance – is the residual classification of the General Fund and includes all amounts not contained in other classifications. This portion of the total fund balance in the general fund is available to finance operating expenditures. Only the General Fund will have unassigned amounts. By accounting for amounts in other

LAKE WORTH INDEPENDENT SCHOOL DISTRICT
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Exhibit F-1

funds, the District has implicitly assigned the funds for purposes of those particular funds.

Disclosure of Fund Balances Reported on Balance Sheet – Governmental Funds
For Fiscal Year Ending August 31, 2020

	General Fund	Debt Service Fund	Other Funds
Nonspendable Fund Balance			
Inventories	\$ 25,349	\$ 0	\$ 0
Prepaid items	122,290	0	0
Restricted Fund Balance			
Nat'l School Breakfast & Lunch Program	0	0	467,354
Capital acquisition & contractual obligations	0	0	1,626,047
Retirement of long-term debt	0	929,483	0
Committed Fund Balance			
Campus Activity Funds	0	0	100,346
Unassigned	12,684,701	0	0
Total Fund Balance	<u>\$12,832,340</u>	<u>\$929,483</u>	<u>\$2,193,747</u>

The District does not have a minimum fund balance policy.

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

F. Implementation of New Standards

No new standards were implemented during the fiscal year.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS.

Exhibit C-2 "Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position" provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. Also, the property taxes receivable which is included as unavailable revenue in the fund financial statements are adjusted based on when the tax levy was made and adjusted for uncollectible amounts. Also included are the adjustments required by GASB 68 and GASB 75.

Exhibit C-4 "Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities" provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial

statements but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The debt payments on retirement of debt are recorded as expenditures for fund-basis financial statements but are a reduction of debt in the government-wide financial statements. The capital asset additions are expenditures in the fund-basis financial statements but capitalized in the government-wide financial statements. The fund-basis financial statements do not include depreciation expense. The depreciation expense is a deduction to reconcile to the government-wide statement of activities. New debt issues are treated as sources of revenue for fund-basis financial statements, but for the government-wide statements, those amounts are recorded as a liability. Property taxes are adjusted for the accrual basis and the unavailable revenues are adjusted based on prior year levies and current year uncollectable amounts. Also included are the adjustments required by GASB 68 and GASB 75.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The Board of Trustees adopts an “appropriated budget” for the General Fund, Child Nutrition Program, and the Debt Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The general fund budget report appears in Exhibit G-1 “Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund” and the other two reports are in Exhibit J-4 “Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Child Nutrition Program” and J-5 “Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Debt Service Fund”.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days’ public notices of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can be amended at the function and fund level by approval of a majority of the members of the Board. Changes can be made to the budget in any detail within the function level without an amendment approved by the Board. During the year, several budget amendments were made with Board approval. The most significant amendments were for carryover funding; mid-year adjustment of operating costs; and year-end adjustments to expenditures based on the latest information concerning operating cost. All budget appropriations lapse at year-end.

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Exhibit F-1

	Original Budget Appropriations	Increase (Decrease)	Amended Budget Appropriations
General Fund – Exhibit G-1	\$36,685,694	\$4,195,447	\$40,881,141
Child Nutrition Program – Exhibit J-4	2,400,000	718,517	3,118,517
Debt Service Fund – Exhibit J-5	5,727,878	680,100	6,407,978

4. The General Fund – Major amendments were to increase in Function 11 – Instruction by \$2,171,201 to increase operating cost related to increasing number of students. Higher than anticipated operating costs resulted in amendments to Function 51 – Facilities maintenance & operations and Function 53 – Data processing services in the amounts of \$558,623 and 758,013, respectively. Function 81- Facilities Acquisition & Construction was amended by \$644,256 for energy savings and replacement of HVAC units. Other amendments were made throughout the year for unexpected costs not anticipated in the original budget.

The Child Nutrition Program was increased to recognize the unanticipated additional cost associated with the operation of this program during the year.

The Debt Service Fund was amended to recognize new principal and interest payments associated with new Maintenance Tax Note.

5. Each budget is controlled at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

August 31, 2020 Fund Balance	
Appropriated Budgeted Funds – National Breakfast & Lunch Program	\$467,354
Non-appropriated Funds	100,346
All Special Revenue Funds	<u>\$567,700</u>

B. Excess of Expenditures over Appropriations

There were no excess of expenditures over appropriations during the year.

C. Deficit Fund Equity

There were no deficit fund equities for the year ended August 31, 2020.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents

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

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Exhibit F-1

Depository information is as follows:

- Depository bank: Bank of Texas
- Highest combined balance: \$5,845,978
- Date of highest combined balance: October 25, 2019
- Amount of FDIC insurance: \$250,000
- Amount of pledged securities: \$12,900,000

Since the District complies with this law, it has no custodial credit risk for deposits.

The District's cash and cash equivalents, considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

On August 31, 2020, the carrying value of the District's deposits was \$3,155,608, excluding petty cash of \$2,130, and the bank balance was \$2,941,988. The District's cash deposits at August 31, 2020, and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Petty cash	\$ 2,130
Cash-in-bank	3,155,608
Total cash and cash equivalents	<u><u>\$3,157,738</u></u>

The District does not have any cash or cash equivalents in foreign currency; therefore, there is no foreign currency risk.

B. Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of returns, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. The District maintains an investment policy that authorizes the District to invest in obligations of U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements, and the State Treasurer's investment pool or similar public investment pools. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

LAKE WORTH INDEPENDENT SCHOOL DISTRICT
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Exhibit F-1

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

Investments	Carrying Amount	Fair Value	Percentage of Investments	Weighted Average Maturity (Days)
Lone Star - AAAM	\$ 8,360,322	\$ 8,360,322	58.3%	On demand
Texas Class - AAAM	5,981,150	5,981,150	41.7%	On demand
Totals	<u>\$14,341,472</u>	<u>\$14,341,472</u>	<u>100.0%</u>	

Custodial Credit Risk – Investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District's investment in public funds money market accounts, LoneStar, and Texas Class are not exposed to custodial risk. External investment pools are not subject to custodial risk because investments are not evidenced by securities that exist in physical or book entry form. State law limits investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. As of August 31, 2020, the District's investments in Texas Class and LoneStar are rated AAAM.

Credit Risk – This is the risk that a security issuer may default on interest or principal payment. State law limits investment in local government pools to those that are rated AAA or equivalent by at least one Nationally Recognized Statistical Rating Organization (NRSRO). The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by agencies such as Standard and Poor's (S&P) or Moody's Investors Service, or by investing in public fund investment pools rated no lower than AAA or AAAM.

Interest-rate Risk – This type of risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The District's investment policy does not allow the purchase of investments that would expose the District to interest-rate risk.

Concentration of Credit Risk – This type of risk is defined as positions of 5 percent or more in securities of a single issuer. The District is not exposed to the concentration of credit risk because the investment portfolio mainly consists of external investment pools.

Foreign Currency Risk – This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end, the District was not exposed to foreign currency risk.

C. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real property and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable with the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

The Board establishes the District's property tax rates annually. The authorized tax rates for property taxes assessed on January 1, 2019, were \$1.0684 and \$0.500 per \$100 for the General Fund and Debt Service Fund, respectively, based on a net assessed valuation of \$1,043,445,103.

LAKE WORTH INDEPENDENT SCHOOL DISTRICT
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Exhibit F-1

The District has not entered into any tax abatement agreements in compliance with Tax Code Chapter 312.

Delinquent taxes are prorated between the General Fund and Debt Service Fund based rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes.

Delinquent taxes receivables and the related allowance for uncollectible taxes in the governmental fund financial statements as of August 31, 2020, are as follows:

	Property Taxes - Delinquent	Allowance for Uncollectible Taxes	Unavailable Revenue – Property Taxes
General Fund	\$367,852	\$(172,809)	\$195,043
Debt Service Fund	161,446	(74,275)	87,171
Totals	<u>\$529,298</u>	<u>\$(247,084)</u>	<u>\$282,214</u>

Current tax collections for the levy year ended August 31, 2020, were 99.1% of the year-end adjusted tax levy.

Uncollectible personal property taxes are periodically reviewed and written off by the District. The District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

The District has an agreement with Tarrant County Tax Office (“County”) whereby the County bills and collects the District’s property taxes.

D. Disaggregation of Receivables and Payables

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables that are not scheduled for collection within one year of August 31, 2020.

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Exhibit F-1

E. Receivables from Other Governments

Receivables from other governments, as of August 31, 2020, are as follow:

Fund	Due from State
General	\$1,530,955
Debt Service	67,802
Special Revenue:	
ESEA I, A – Improving Basic Programs	261,876
IDEA – Part B Formula	118,320
IDEA – Part B Preschool	4,653
National Breakfast & Lunch Program	45,443
Career & Technical – Basic Grant	10,220
ESEA II, A – Training & Recruiting	62,986
Title III, A – English Language Acquisition	1,443
ESSER – School Emergency Relief	679,553
Title I – SIP Academic Grant	11,355
Other Federal Special Revenue Funds	9,652
Other State Special Revenue Funds	54,131
Total Special Revenue	1,259,632
Total receivables from other governments	\$2,858,389

F. Interfund Receivables and Payables

The following is a summary of amounts due to and due from other funds:

	Due From Other Funds	Due To Other Funds
Governmental Funds:		
General Fund	\$21,219	\$ 0
Debt Service Fund	0	20,596
Special Revenue Fund – Campus Activity Funds	0	179
Fiduciary Funds – Agency Funds	0	443
Rounding	0	1
Total General Fund	21,219	21,219
Debt Service Fund	17,946	0
General Fund	0	17,946
Other Funds:	2,653	0
General Fund	0	544
Other Funds	0	2,109
Total Other Funds	2,653	2,653
Fiduciary Funds:		
Agency Funds	183	0
General Fund	0	183

Interfund receivables and payables generally arise from interfund loans between different funds with balances being repaid generally within one year.

G. Interfund Transfers

The General Fund transferred \$25,368 to supplement the National Breakfast & Lunch Program.

H. Other Financing Sources (Uses)

The District had the following financing sources and (uses) during the year:

General Fund Other Financing Sources (Uses)	
Other Resources – Co-op Distribution	\$7,542
Transfers Out (Uses)	(25,368)
Total	<u><u>\$(17,826)</u></u>
Other Funds Other Financing Sources (Uses)	
Non-current Loans	\$3,165,000
National Breakfast & Lunch Program – Transfer in	25,368
Premium or Discount on Issuance of Bonds	326,571
Total	<u><u>\$3,516,939</u></u>

I. Special Items/Extraordinary Items

The District's General Fund received \$43,197 as a Special Item – Mineral Rights during the year.

J. Operating Leases

The District leases office equipment under noncancelable operating leases. Total costs for such leases were \$75,364 for the year. The future minimum lease payments for active operating leases are summarized below:

Year Ending August 31	Amount
2021	\$30,737
2022	8,423
2023	2,817
Thereafter	0

K. Capital Asset Activity

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

	Beginning Balance	Increases/ Adjustments	Decreases/ Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,168,883	\$ 0	\$0	\$ 2,168,883
Total Capital Assets, not being depreciated	2,168,883	0	0	2,168,883
Capital assets, being depreciated:				
Buildings and improvements	100,101,160	183,163	0	100,284,323
Furniture and equipment	8,182,978	376,939	0	8,559,917
Total capital assets, being depreciated	108,284,138	560,102	0	108,844,240
Less accumulated depreciation for:				
Buildings and improvements	38,433,909	2,769,005	0	41,202,914
Furniture and equipment	6,589,158	352,527	0	6,941,685
Total accumulated depreciation	45,023,067	3,121,532	0	48,144,599
Governmental activities capital assets, net	<u>\$65,429,954</u>	<u>\$(2,561,430)</u>	<u>\$0</u>	<u>\$ 62,868,524</u>

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Additions included various renovation, resurfacing projects, and purchasing equipment throughout the District.

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

Governmental activities:

11 – Instruction	\$1,690,933
12 – Instruction Resources & Media Services	84,469
23 – School Leadership	94,008
31 – Guidance, Counseling & Evaluation Services	12,060
33 – Health Services	15,677
34 – Student (Pupil) Transportation	109,846
35 – Food Services	243,785
36 – Extracurricular Activities	431,312
41 – General Administration	189,884
51 – Plant Maintenance & Operations	222,982
53 – Data Processing Services	26,576
Total Depreciation Expense	<u>\$3,121,532</u>

L. Long-Term Debt

Long-term debt of the District is comprised of bonds payable, accreted interest, a premium on bonds, capital leases, and net pension liability. Debt service requirements for general obligation bonds are payable from the fund balance and future revenues of the Debt Service Fund which consists principally of property taxes collected by the District, state funding, and interest earnings.

The following is a summary of changes in long-term debt for government activities for the year ended August 31, 2020.

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds payable	\$ 63,890,859	\$ 0	\$ 3,117,095	\$ 60,773,764	\$2,348,304
Accreted interest	6,060,956	434,761	905,645	5,590,072	0
Premium on bonds	7,700,417	326,571	615,768	7,411,220	0
Maintenance tax note	0	3,165,000	0	3,165,000	110,000
Capital leases	445,794	0	169,652	276,142	178,131
Sub-totals	78,098,026	3,926,332	4,808,160	77,216,198	2,636,435
Net pension liability	12,308,225	335,544	797,623	11,846,146	0
Net OPEB liability	14,410,153	0	242,973	14,167,180	0
Totals	<u>\$104,816,404</u>	<u>\$4,261,876</u>	<u>\$5,848,756</u>	<u>\$103,229,524</u>	<u>\$2,636,435</u>

M. Maintenance Tax Notes

The District issued \$3,165,000 in Maintenance Tax Notes, Series 2020 to for energy savings and replacement of HVAC units.

Issue/ Maturity Date	Interest Rates Payable	Amounts Original Issue	Beginning Balance	Issued	Retired	Ending Balance	Amounts Due Within One Year
2020/2040	2.5%/4.0%	\$3,165,000	\$ 0	\$3,165,000	\$0	\$3,165,000	\$110,000

The following is a summary of the District's future annual debt service requirements to maturity for maintenance tax notes:

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Year Ended August 31	Principal	Interest	Total Requirements
2021	\$ 110,000	\$ 96,456	\$ 206,456
2022	115,000	92,325	207,325
2023	120,000	87,725	207,725
2024	125,000	82,925	207,925
2025	130,000	77,925	207,925
2026/2030	725,000	307,625	1,032,625
2031/2035	865,000	170,400	1,035,400
2036/2040	975,000	60,425	1,035,425
Totals	<u>\$3,165,000</u>	<u>\$975,806</u>	<u>\$4,140,806</u>

N. Capital Leases

Current year and prior year capital lease indebtedness of the District is reflected in the statement of net position. Current requirements for principal and interest expenditures are accounted for in the General Fund.

Issue/ Maturity Date	Interest Rates Payable	Amounts Original Issue	Beginning Balance	Issued	Retired	Ending Balance	Amounts Due Within One Year
2018/2022	4.8%	336,929	\$201,861	\$0	\$ 64,156	\$137,705	\$ 67,238
2019/2022		361,908	243,933	0	105,496	138,437	110,893
			<u>\$445,794</u>	<u>\$0</u>	<u>\$169,652</u>	<u>\$276,142</u>	<u>\$178,131</u>

The District paid \$22,173 in interest expense during the year.

The following is a summary of the District's future annual debt service requirements to maturity for capital leases:

Year Ended August 31	Principal	Interest	Total Requirements
2021	\$178,131	\$13,695	\$191,826
2022	98,011	4,793	102,804
Totals	<u>\$276,142</u>	<u>\$18,488</u>	<u>\$294,630</u>

O. Bonds Payable

Bonded indebtedness of the District is reflected in the statement of net position. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund in the fund financial statements.

The District has authorized but unissued unlimited tax bonds for school buildings that were authorized on December 4, 2004. Amount of original authorization was \$88,885,000 of which \$63,915,000 have been previously issued leaving an unissued balance of \$24,970,000.

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Exhibit F-1

A summary of changes in general obligation bonds for the year ended August 31, 2020, is as follows:

Issue/Maturity Date	Interest Rates Payable	Amounts Original Issue	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Series 1995 UTR Bond/2024	8.16%/ 5.55%	\$ 550,448	\$ 430,000	\$0	\$ 110,000	\$ 320,000	\$ 100,000
Series 2009 UTR Bonds/2023	1.4%/ 4.43%	4,219,997	1,480,000	0	1,030,000	450,000	140,000
Series 2012 UTR Bonds/2026	1.3%/ 3.0%	8,366,671	8,346,765	0	923	8,345,842	464
Series 2013 UTR Bonds/2031	1.55%/ 2.45%	8,756,350	8,736,893	0	16,990	8,719,902	70,000
Series 2014 UTSB Bonds/ 2029	2.0%/ 3.5%	4,135,000	2,975,000	0	255,000	2,720,000	265,000
Series 2014 UTR Bonds/2028	1.75%/ 3.5%	5,066,799	5,065,259	0	4,182	5,061,077	2,840
Series 2015 UTR Bonds/2029	0.4%/ 5.0%	9,623,740	8,175,000	0	895,000	7,280,000	875,000
Series 2015A UTR Bonds/2032	0.83%/ 5.00%	7,999,995	7,940,000	0	170,000	7,770,000	260,000
Series 2015B UTR Bonds/2031	.55%/ 3.6 %	1,544,999	1,280,000	0	95,000	1,185,000	90,000
Series 2016 UTR Bonds/2037	0.5%/ 4.0%	8,534,314	8,326,287	0	50,000	8,276,287	50,000
Series 2017A UTR Bonds/2031	2.0%/ 4.0%	6,930,000	5,885,000	0	490,000	5,395,000	495,000
Series 2017B UTR Bonds/2037	2.0%/ 4.0%	5,290,656	5,250,656	0	0	5,250,656	0
Totals			\$63,890,860	\$0	\$3,117,095	\$60,773,764	\$2,348,304

The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds.

Year Ended August 31	Principal	Interest	Total Requirements
2021	\$ 2,348,304	\$ 2,975,403	\$ 5,323,707
2022	2,457,177	2,933,492	5,390,669
2023	2,536,438	2,865,056	5,401,494
2024	3,484,902	2,387,654	5,872,556
2025	4,200,000	1,709,356	5,909,356
2026-2030	23,830,000	6,132,438	29,962,438
2031-2035	16,081,943	8,687,541	24,769,484
2036-2040	5,835,000	235,500	6,070,500
Totals	\$60,773,764	\$27,926,440	\$88,700,204

Interest and fees paid on general obligation bonds during the year were \$3,110,592.

There are numerous limitations and restrictions contained in the various general obligation bond indentures. The District complied with all significant limitations and restrictions as of August 31, 2020.

P. Prior Year Defeasance of Debt

In prior years and during the current year, the District issued refunding bonds for the purpose of restructuring debt cash flow requirements. Proceeds from the refunding bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. The old bonds are considered defeased, and accordingly, the trust account assets and liabilities are not included in the District's financial statements. On August 31, 2020, \$63,617,184 of bonds considered defeased are still outstanding.

Q. Revenue from Local and Intermediate Sources

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

	General Fund	Debt Service Fund	Other Funds	Fund Totals
Property taxes	\$11,530,814	\$5,393,966	\$ 0	\$16,924,780
Food sales	0	0	95,340	95,340
Penalties, interest & other tax related income	84,266	33,634	0	117,900
Tuition & fees	104,588	0	0	104,588
Earnings – temporary deposits & investments	214,389	24,423	52	238,864
Foundations, gifts & bequests	0	0	11,950	11,950
Insurance recovery	24,584	0	0	24,584
Other revenues from local sources	141,250	0	0	141,250
Athletic activities	39,864	0	0	39,864
Enterprising service revenue	0	0	112,150	112,150
Total	<u>\$12,139,755</u>	<u>\$5,452,023</u>	<u>\$219,492</u>	<u>\$17,811,270</u>

R. State Aid Revenue

The District receives state revenues from TEA based on the application of formula allocations, on behalf allocations, and other state miscellaneous programs. The components of state program revenues as shown in the governmental fund financial statements are as follows:

	General Fund	Debt Service Fund	Other Funds	Totals
Per Capita Apportionment	\$ 997,392	\$ 0	\$ 0	\$ 997,392
Foundation Sch. Prg. Act Entitle.	20,866,406	0	0	20,866,406
State Program Revenues	19,708	67,802	327,805	415,315
TRS On-behalf Payments	1,708,518	0	28,121	1,736,639
TRS Medicare Part-D	123,116	0	0	123,116
Totals	<u>\$23,715,140</u>	<u>\$67,802</u>	<u>\$355,926</u>	<u>\$24,138,868</u>

S. Federal Program Revenues

The District receives federal program revenues for various programs as follows:

Revenues	General Fund	Other Funds
School Health & Related Services (SHARS)	\$605,257	\$ 0
Medicaid Administrative Claiming (MAC)	0	0
U. S. Department of Education – Passed Through TEA	191,127	2,310,629
U. S. Department of Health & Human Services – Passed Through TEA	27,944	0
U. S. Department of Agriculture – Passed Through TEA	0	1,980,547
Totals	<u>\$824,328</u>	<u>\$4,291,176</u>

T. Employee Benefits

Compensated Absences

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

U. Defined Benefit Pension Plan

Plan Description - The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). 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. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position - Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting *About TRS* then *Publications* then *Financial Reports* or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

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

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

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

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

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

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

	<u>Contribution Rates</u>	
	<u>2019</u>	<u>2020</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%
Current fiscal year Employer Contributions	\$901,384	
Current fiscal year Member Contributions	\$1,990,159	
2019 measurement date NECE On-behalf Contributions	\$1,076,201	

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in the fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in the fiscal year 2019.

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to:

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through the fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

Actuarial Assumptions - The total pension liability in the August 31, 2019, actuarial valuation was determined using the following actuarial assumptions:

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Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August, 2019	2.63% - 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 to Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in Projection Period (100 years)	2116
Inflation	2.30 %
Salary Increases	3.05% to 9.05% including inflation
Ad hoc Post-employment Benefit Changes	None

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

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

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

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

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Asset Class	FY 2019 Target Allocation*	New Target Allocation**	Long-Term Expected Geometric Real Rate of Return***
Global Equity			
USA	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0 %	9.0%	7.3%
Directional Hedge Funds	4.0%	0.0%	0.0%
Private Equity	13.0%	14.0%	8.4%
Stable Value			
U. S. Treasuries****	11.0%	16.0 %	3.1%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Absolute Return	4.0%	0.0%	0.0%
Real Return			
Global Inflation Linked Bonds*****	3.0%	0.0%	0.0%
Real Estate	14.0%	15.0%	8.5%
Energy, Natural Resources & Infrastructure	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	8.0%	5.8%/6.5%*****
Leverage			
Cash	1.0%	2.0%	2.5%
Asset Allocation Leverage		(6.0%)	2.7%
Expected Return	<u>100.0%</u>		<u>7.23%</u>

* Target allocations are based on the Strategic Asset Allocation as of FY2019

** New allocations are based on the Strategic Asset Allocation to be implemented FY2020

*** 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

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

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

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

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability:	<u>\$18,209,247</u>	<u>\$11,846,146</u>	<u>\$6,690,805</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – On August 31, 2020, the District reported a liability of \$11,846,146 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$11,846,146
State's proportionate share that is associated with District	<u>15,984,203</u>
Total	<u>\$27,830,349</u>

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

On August 31, 2019, the employer's proportion of the collective net pension liability was 0.0227884438% which was an increase of 0.0004271030% over its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2020, the District recognized pension expense of \$5,044,745 and revenue of \$2,510,893 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 49,764	\$ 411,317
Changes in actuarial assumptions	3,675,256	1,518,790
Difference between projected and actual investment earnings	118,949	0
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,150,317	148
Total as of August 31, 2019 measurement date	4,994,286	1,930,255
Contributions paid to TRS subsequent to the measurement date	901,384	0
Total	\$5,895,670	\$1,930,255

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

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Exhibit F-1

Fiscal Year ended August 31	Pension Expense Amount
2021	\$787,621
2022	649,864
2023	772,841
2024	706,942
2025	246,657
Thereafter	(99,894)

V. Defined Other Post-Employment Benefit Plans

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

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

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

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

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

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

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

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

Contribution Rates		
	2019	2020
Active Employee	0.65%	0.65%
Non-employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding Remitted by Employers	1.25%	1.25%
Current fiscal year Employer Contributions		\$220,132
Current fiscal year Member Contributions		\$168,001
2019 measurement year NECE On-Behalf Contributions		\$282,499

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

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

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

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

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on Plan Specific Experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% participation after age 65. 25% 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% - 9.05% including inflation
Ad-hoc Post Employment Benefit Changes	None

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

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

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

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

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate (1.63%)	Current Single Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District’s proportionate share of the net OPEB liability:	\$17,104,333	\$14,167,180	\$11,869,444

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs – On August 31, 2020, the District reported a liability of \$14,167,180 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District’s proportionate share of the collective net OPEB liability	\$14,167,180
State’s proportionate share that is associated with District	18,825,014
Total	<u>\$32,992,194</u>

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

On August 31, 2019, the employer’s proportion of the collective net OPEB liability was 0.0299573133%, which was an increase of 0.0010971321% over its proportion measured as of August 31, 2018.

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

	1% Decrease in Healthcare Trend Rate	Current Healthcare Cost Trend Rate	1% Increase in Healthcare Trend Rate
District’s proportionate share of the Net OPEB liability:	<u>\$11,557,089</u>	<u>\$14,167,180</u>	<u>\$17,663,505</u>

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability (TOL) since the prior measurement period:

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

LAKE WORTH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

Exhibit F-1

For the year ended August 31, 2020, the District recognized OPEB expense of \$1,034,163 and revenue of \$496,150 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 695,021	\$2,318,309
Changes in actuarial assumptions	786,876	3,810,624
Difference between projected and actual investment earnings	1,528	0
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	1,163,580	0
Total as of August 31, 2019 measurement date	2,647,005	6,128,933
Contributions paid to TRS subsequent to the measurement date	220,132	0
Total	<u>\$2,867,137</u>	<u>\$6,128,933</u>

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

Year ended August 31	OPEB Expense Amount
2021	\$(627,058)
2022	(627,058)
2023	(627,553)
2024	(627,835)
2025	(627,758)
Thereafter	(344,666)

W. Medicare Part D Coverage

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2020, 2019, and 2018, the subsidy payments received by TRS-Care on-behalf of the District were \$123,116, \$88,397, and \$68,138, respectively. The information for the year ended August 31, 2020, is provided by the Teachers Retirement System. These payments are recorded as equal revenues and expenditures in the governmental fund financial statements of the District.

X. Active Employee Health Care Coverage

The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. The plan is

authorized by the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579, and by the Texas Administrative Code, Title 34, Part 3, Chapter 41. The District contributed approximately \$225 per month per participant to the plan, and employees, at their option, authorized payroll withholdings to pay employee contributions and additional premiums for dependents. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS ActiveCare. That report may be obtained by visiting the TRS Website at www.trs.state.tx.us, by writing the Communications Department of the Texas Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling (800) 223-8778.

Y. Workers' Compensation Program

During the year, the District met its statutory workers' compensation obligations through participation in the Texas Association of School Boards ("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 worker's compensation program is authorized by Chapter 504, Texas Labor Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

Z. Commitments and Contingencies

1. State and Federal Grants

Minimum foundation funding received from TEA is based primarily upon information concerning average daily attendance at the District's schools which is compiled by the District and supplied to TEA. Federal funding for Food Service under child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported to the United States Department of Agriculture ("USDA"). Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made in compliance with program guidelines to the grantor agencies.

These programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District's administration, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the accompanying financial statements for such contingencies.

2. Litigation

The District is not a party in any litigation.

AA. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the current

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

BB.Evaluation of Subsequent Events

The District has evaluated subsequent events through January 15, 2021, the date which the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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LAKE WORTH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 12,139,145	\$ 12,170,897	\$ 12,139,755	\$ (31,142)
5800	State Program Revenues	23,734,549	23,956,549	23,715,140	(241,409)
5900	Federal Program Revenues	812,000	812,000	824,329	12,329
5020	Total Revenues	36,685,694	36,939,446	36,679,224	(260,222)
EXPENDITURES:					
Current:					
0011	Instruction	20,288,881	22,460,082	20,172,502	2,287,580
0012	Instructional Resources and Media Services	316,177	328,568	301,547	27,021
0013	Curriculum and Instructional Staff Development	661,845	670,538	510,892	159,646
0021	Instructional Leadership	702,627	861,424	832,341	29,083
0023	School Leadership	2,224,675	2,304,962	2,288,196	16,766
0031	Guidance, Counseling, and Evaluation Services	824,311	700,294	679,497	20,797
0032	Social Work Services	362,305	362,305	357,246	5,059
0033	Health Services	371,057	426,849	418,192	8,657
0034	Student (Pupil) Transportation	1,658,340	1,488,340	1,453,957	34,383
0036	Extracurricular Activities	1,437,387	1,385,627	1,307,877	77,750
0041	General Administration	1,631,485	1,695,656	1,634,848	60,808
0051	Facilities Maintenance and Operations	4,127,471	4,686,094	3,983,514	702,580
0052	Security and Monitoring Services	196,142	246,142	210,235	35,907
0053	Data Processing Services	1,076,972	1,834,985	1,582,739	252,246
0061	Community Services	517,193	487,193	462,564	24,629
Debt Service:					
0071	Principal on Long-Term Debt	169,653	169,653	169,652	1
0072	Interest on Long-Term Debt	22,173	22,173	22,174	(1)
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	644,256	161,880	482,376
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	9,000	6,229	2,771
0095	Payments to Juvenile Justice Alternative Ed. Prg.	10,000	10,000	-	10,000
0099	Other Intergovernmental Charges	87,000	87,000	85,211	1,789
6030	Total Expenditures	36,685,694	40,881,141	36,641,293	4,239,848
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(3,941,695)	37,931	3,979,626
OTHER FINANCING SOURCES (USES):					
7949	Other Resources - Co-op Distribution	-	-	7,542	7,542
8911	Transfers Out (Use)	-	(27,000)	(25,368)	1,632
7080	Total Other Financing Sources (Uses)	-	(27,000)	(17,826)	9,174
SPECIAL ITEMS:					
7918	Special Item - Mineral Rights	-	43,000	43,197	197
1200	Net Change in Fund Balances	-	(3,925,695)	63,302	3,988,997
0100	Fund Balance - September 1 (Beginning)	12,769,038	12,769,038	12,769,038	-
3000	Fund Balance - August 31 (Ending)	\$ 12,769,038	\$ 8,843,343	\$ 12,832,340	\$ 3,988,997

LAKE WORTH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Pension Liability (Asset)	0.022788444%	0.022361341%	0.021586%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 11,846,146	\$ 12,308,225	\$ 6,902,029
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	15,984,203	17,547,375	10,316,171
Total	<u>\$ 27,830,349</u>	<u>\$ 29,855,600</u>	<u>\$ 17,218,200</u>
District's Covered Payroll	\$ 23,630,994	\$ 22,837,954	\$ 21,777,000
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	50.13%	53.89%	31.69%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.24%	73.74%	82.17%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

FY 2017			FY 2016		
Plan Year 2016			Plan Year 2015		
			FY 2015		
			Plan Year 2014		
0.020593%			0.020811%		
0.0135448%					
\$	7,781,792	\$	7,356,411	\$	3,618,003
12,425,576			12,366,190		
10,397,251					
\$	20,207,368	\$	19,722,601	\$	14,015,254
\$	20,779,379	\$	20,249,210	\$	19,202,685
37.45%			36.33%		
18.84%					
78.00%			78.43%		
83.25%					

LAKE WORTH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2020

	2020	2019	2018
Contractually Required Contribution	\$ 901,384	\$ 797,488	\$ 954,816
Contribution in Relation to the Contractually Required Contribution	(901,384)	(797,488)	(954,816)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 25,846,323	\$ 23,630,994	\$ 22,837,954
Contributions as a Percentage of Covered Payroll	3.49%	3.37%	4.18%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

2017	2016	2015			
\$ 707,462	\$ 654,292	\$ 616,221			
(707,462)	(654,292)	(616,221)			
\$ -	\$ -	\$ -			
\$ 21,777,000	\$ 20,779,379	\$ 20,249,210			
3.25%	3.15%	3.04%			

LAKE WORTH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.029957313%	0.028860181%	0.0277005%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 14,167,180	\$ 14,410,153	\$ 12,045,891
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	18,825,014	19,359,340	16,900,353
Total	<u>\$ 32,992,194</u>	<u>\$ 33,769,493</u>	<u>\$ 28,946,244</u>
District's Covered Payroll	\$ 23,630,994	\$ 22,837,954	\$ 21,777,000
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	59.95%	63.10%	55.31%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.66%	1.57%	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2020 are for the measurement date of August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

LAKE WORTH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2020

	2020	2019	2018
Contractually Required Contribution	\$ 220,132	\$ 212,565	\$ 189,729
Contribution in Relation to the Contractually Required Contribution	(220,132)	(212,565)	(189,729)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 25,846,323	\$ 23,630,994	\$ 22,837,954
Contributions as a Percentage of Covered Payroll	0.85%	0.90%	0.83%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

A. Notes to Schedule for the TRS Pension

Changes in Benefit terms

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

Changes in Assumptions

There were no changes in the actuarial assumptions used in the determination of the total pension liability during the measurement period.

The single discount rate was a blended rate of 6.90% as of August 31, 2018, and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.

With the enactment of SB3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries.

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefit

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

Changes in Assumption

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

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

COMBINING AND OTHER STATEMENTS

LAKE WORTH INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2020

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 423,926
1120	Investments - Current	-	-	-	-
1240	Due from Other Governments	261,876	118,320	4,653	45,443
1260	Due from Other Funds	-	-	-	544
1300	Inventories	-	-	-	65,612
1000	Total Assets	<u>\$ 261,876</u>	<u>\$ 118,320</u>	<u>\$ 4,653</u>	<u>\$ 535,525</u>
LIABILITIES					
2110	Accounts Payable & Bank Overdrafts	\$ 259,767	\$ 118,320	\$ 4,653	\$ 2,559
2170	Due to Other Funds	2,109	-	-	-
2300	Unearned Revenue	-	-	-	65,612
2000	Total Liabilities	<u>261,876</u>	<u>118,320</u>	<u>4,653</u>	<u>68,171</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	467,354
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>467,354</u>
4000	Total Liabilities and Fund Balances	<u>\$ 261,876</u>	<u>\$ 118,320</u>	<u>\$ 4,653</u>	<u>\$ 535,525</u>

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 ESSER -School Emergency Relief	276 Title I - SIP Academy Grant	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	410 State Instructional Materials
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74	\$ 13,045
-	-	-	-	-	-	-	-
10,220	62,986	1,443	679,553	11,355	9,652	-	-
-	1,859	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 10,220</u>	<u>\$ 64,845</u>	<u>\$ 1,443</u>	<u>\$ 679,553</u>	<u>\$ 11,355</u>	<u>\$ 9,652</u>	<u>\$ 74</u>	<u>\$ 13,045</u>
\$ 10,220	\$ 64,845	\$ 1,443	\$ 679,553	\$ 11,355	\$ 9,652	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	74	13,045
<u>10,220</u>	<u>64,845</u>	<u>1,443</u>	<u>679,553</u>	<u>11,355</u>	<u>9,652</u>	<u>74</u>	<u>13,045</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 10,220</u>	<u>\$ 64,845</u>	<u>\$ 1,443</u>	<u>\$ 679,553</u>	<u>\$ 11,355</u>	<u>\$ 9,652</u>	<u>\$ 74</u>	<u>\$ 13,045</u>

LAKE WORTH INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2020

Data Control Codes		427 Special Educ. Fiscal Support	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds
ASSETS					
1110	Cash and Cash Equivalents	\$ 30,000	\$ -	\$ 100,525	\$ 567,570
1120	Investments - Current	-	-	-	-
1240	Due from Other Governments	-	54,131	-	1,259,632
1260	Due from Other Funds	-	250	-	2,653
1300	Inventories	-	-	-	65,612
1000	Total Assets	<u>\$ 30,000</u>	<u>\$ 54,381</u>	<u>\$ 100,525</u>	<u>\$ 1,895,467</u>
LIABILITIES					
2110	Accounts Payable & Bank Overdrafts	\$ -	\$ 54,381	\$ -	\$ 1,216,748
2170	Due to Other Funds	-	-	179	2,288
2300	Unearned Revenue	30,000	-	-	108,731
2000	Total Liabilities	<u>30,000</u>	<u>54,381</u>	<u>179</u>	<u>1,327,767</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	467,354
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	100,346	100,346
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>100,346</u>	<u>567,700</u>
4000	Total Liabilities and Fund Balances	<u>\$ 30,000</u>	<u>\$ 54,381</u>	<u>\$ 100,525</u>	<u>\$ 1,895,467</u>

698 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ 567,570
2,259,624	2,259,624
-	1,259,632
-	2,653
-	65,612
<u>\$ 2,259,624</u>	<u>\$ 4,155,091</u>
\$ 633,577	\$ 1,850,325
-	2,288
-	108,731
<u>633,577</u>	<u>1,961,344</u>
-	467,354
1,626,047	1,626,047
-	100,346
<u>1,626,047</u>	<u>2,193,747</u>
<u>\$ 2,259,624</u>	<u>\$ 4,155,091</u>

LAKE WORTH INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 95,340
5800 State Program Revenues	-	-	-	39,953
5900 Federal Program Revenues	960,119	529,795	4,653	1,980,547
5020 Total Revenues	960,119	529,795	4,653	2,115,840
EXPENDITURES:				
Current:				
0011 Instruction	679,744	167,944	-	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	271,137	2,252	-	-
0021 Instructional Leadership	-	742	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	358,857	4,653	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	2,363,088
0036 Extracurricular Activities	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	48,411
0061 Community Services	9,238	-	-	-
Debt Service:				
0073 Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	960,119	529,795	4,653	2,411,499
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(295,659)
OTHER FINANCING SOURCES (USES):				
7914 Non-Current Loans	-	-	-	-
7915 Transfers In	-	-	-	25,368
7916 Premium or Discount on Issuance of Bonds	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	25,368
1200 Net Change in Fund Balance	-	-	-	(270,291)
0100 Fund Balance - September 1 (Beginning)	-	-	-	737,645
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 467,354

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 ESSER -School Emergency Relief	276 Title I - SIP Academy Grant	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	410 State Instructional Materials
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-	-	-	261,806
44,495	126,038	11,429	571,518	14,415	48,167	-	-
44,495	126,038	11,429	571,518	14,415	48,167	-	261,806
44,495	-	770	571,518	14,415	25,312	-	261,806
-	-	-	-	-	-	-	-
-	122,729	7,387	-	-	10,150	-	-
-	2,318	-	-	-	-	-	-
-	991	-	-	-	-	-	-
-	-	-	-	-	12,705	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	3,272	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
44,495	126,038	11,429	571,518	14,415	48,167	-	261,806
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-

LAKE WORTH INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	427 Special Educ. Fiscal Support	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 124,100	\$ 219,440
5800 State Program Revenues	-	54,167	-	355,926
5900 Federal Program Revenues	-	-	-	4,291,176
5020 Total Revenues	-	54,167	124,100	4,866,542
EXPENDITURES:				
Current:				
0011 Instruction	-	-	-	1,766,004
0012 Instructional Resources and Media Services	-	36	-	36
0013 Curriculum and Instructional Staff Development	-	-	-	413,655
0021 Instructional Leadership	-	-	-	3,060
0023 School Leadership	-	-	-	991
0031 Guidance, Counseling, and Evaluation Services	-	-	-	376,215
0034 Student (Pupil) Transportation	-	54,131	-	54,131
0035 Food Services	-	-	-	2,363,088
0036 Extracurricular Activities	-	-	111,793	111,793
0051 Facilities Maintenance and Operations	-	-	-	48,411
0061 Community Services	-	-	-	12,510
Debt Service:				
0073 Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	-	54,167	111,793	5,149,894
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	12,307	(283,352)
OTHER FINANCING SOURCES (USES):				
7914 Non-Current Loans	-	-	-	-
7915 Transfers In	-	-	-	25,368
7916 Premium or Discount on Issuance of Bonds	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	25,368
1200 Net Change in Fund Balance	-	-	12,307	(257,984)
0100 Fund Balance - September 1 (Beginning)	-	-	88,039	825,684
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ 100,346	\$ 567,700

698 Capital Projects Fund		Total Nonmajor Governmental Funds	
\$	52	\$	219,492
	-		355,926
	-		4,291,176
	52		4,866,594
	-		1,766,004
	-		36
	-		413,655
	-		3,060
	-		991
	-		376,215
	-		54,131
	-		2,363,088
	-		111,793
	-		48,411
	-		12,510
	103,356		103,356
	1,762,220		1,762,220
	1,865,576		7,015,470
	(1,865,524)		(2,148,876)
	3,165,000		3,165,000
	-		25,368
	326,571		326,571
	3,491,571		3,516,939
	1,626,047		1,368,063
	-		825,684
\$	1,626,047	\$	2,193,747

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REQUIRED TEXAS EDUCATION AGENCY SCHEDULES

LAKE WORTH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2020

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2011 and prior years	Various	Various	\$ 2,873,160,261
2012	1.170000	0.500000	699,286,108
2013	1.170000	0.500000	696,690,479
2014	1.170000	0.500000	686,797,695
2015	1.170000	0.500000	747,535,988
2016	1.170000	0.500000	673,171,976
2017	1.170000	0.500000	774,248,024
2018	1.170000	0.500000	890,700,719
2019	1.170000	0.500000	970,736,467
2020 (School year under audit)	1.068400	0.500000	1,043,445,103
1000 TOTALS			

(10) Beginning Balance 9/1/2019	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2020
\$ 176,192	\$ -	\$ 44	\$ 19	\$ (2,565)	\$ 173,564
5,657	-	22	10	-	5,625
6,795	-	35	15	-	6,745
17,938	-	1,893	809	1	15,237
17,460	-	4,153	1,775	539	12,071
13,565	-	2,432	1,039	476	10,570
17,191	-	3,265	1,395	(263)	12,268
32,058	-	(1,674)	(716)	25,503	59,951
185,556	-	54,728	23,388	(27,480)	79,960
-	16,365,393	11,466,563	5,366,231	620,708	153,307
<u>\$ 472,412</u>	<u>\$ 16,365,393</u>	<u>\$ 11,531,461</u>	<u>\$ 5,393,965</u>	<u>\$ 616,919</u>	<u>\$ 529,298</u>

LAKE WORTH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 203,700	\$ 166,700	\$ 95,340	\$ (71,360)
5800 State Program Revenues	11,000	11,000	39,953	28,953
5900 Federal Program Revenues	2,185,300	2,462,300	1,980,547	(481,753)
5020 Total Revenues	2,400,000	2,640,000	2,115,840	(524,160)
EXPENDITURES:				
Current:				
0035 Food Services	2,350,000	3,068,517	2,363,088	705,429
0051 Facilities Maintenance and Operations	50,000	50,000	48,411	1,589
6030 Total Expenditures	2,400,000	3,118,517	2,411,499	707,018
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(478,517)	(295,659)	182,858
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	37,000	25,368	(11,632)
1200 Net Change in Fund Balances	-	(441,517)	(270,291)	171,226
0100 Fund Balance - September 1 (Beginning)	737,645	737,645	737,645	-
3000 Fund Balance - August 31 (Ending)	\$ 737,645	\$ 296,128	\$ 467,354	\$ 171,226

LAKE WORTH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 5,433,623	\$ 5,459,623	\$ 5,452,023	\$ (7,600)
5800 State Program Revenues	294,255	294,255	67,802	(226,453)
5020 Total Revenues	5,727,878	5,753,878	5,519,825	(234,053)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	2,599,348	3,279,448	3,117,095	162,353
0072 Interest on Long-Term Debt	3,103,530	3,103,530	3,089,496	14,034
0073 Bond Issuance Cost and Fees	25,000	25,000	21,096	3,904
6030 Total Expenditures	5,727,878	6,407,978	6,227,687	180,291
1200 Net Change in Fund Balances	-	(654,100)	(707,862)	(53,762)
0100 Fund Balance - September 1 (Beginning)	1,637,345	1,637,345	1,637,345	-
3000 Fund Balance - August 31 (Ending)	\$ 1,637,345	\$ 983,245	\$ 929,483	\$ (53,762)

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**REPORT ON INTERNAL CONTROLS,
COMPLIANCE, AND FEDERAL AWARDS**

Kirk & Richardson. P.C.

Members of the American Institute of Certified Public Accountants
Governmental Audit Quality Center

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

Board of Trustees
Lake Worth Independent School District
6805 Telephone Road
Lake Worth, Texas 76135

Members of the Board of Trustees:

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 Lake Worth Independent School District (the "District") as of and for the year ended August 31, 2020, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated January 15, 2021.

Internal Control over Financial Reports

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

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

Our consideration of the 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 were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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

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

Kirk & Richardson, P.C.

Kirk & Richardson, P.C.
Fort Worth, Texas
January 15, 2021

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

Board of Trustees
Lake Worth Independent School District
6805 Telephone Road
Lake Worth, Texas 76135

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Lake Worth Independent School District (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, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement of 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 the compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance with those requirements.

7559 John T. White Rd. * P.O. Box 8342 * Fort Worth, TX 76124
Phone: (817) 451-7406 Fax: (817) 451-7597
Don Richardson, CPA * Sandhya Magar, CPA

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the 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, 2020.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on 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* 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 of 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.

Kirk & Richardson, P.C.

Kirk & Richardson, P.C.
Fort Worth, Texas
January 15, 2021

LAKE WORTH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness?	No
Nocompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with <i>Audit Requirements for Federal Awards</i> (Uniform Guidance)?	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553	School Breakfast Program
10.555	National School Lunch Program – Cash Assistance
10.555	National School Lunch Program – Non-cash Assistance
10.559	Summer Feeding Program – Cash Assistance
84.425D	Emergency & Secondary School Emergency Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

Auditee qualified as low risk auditee?: Yes

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.



Lake Worth Independent School District

6805 Telephone Road • Lake Worth, Texas 76135 • Phone 817-306-4200 •

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED AUGUST 31, 2020

STATUS OF PRIOR YEAR'S FINDINGS/NONCOMPLIANCE: N/A – None required.





Lake Worth Independent School District

6805 Telephone Road • Lake Worth, Texas 76135 • Phone 817-306-4200 •

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED AUGUST 31, 2020

Contact Person: Jaclyn West, Chief Financial Officer
6805 Telephone Road
Lake Worth, Texas 76135
817-306-4200

CORRECTIVE ACTION PLAN: None required.



LAKE WORTH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20610101220910	\$ 772,061
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20610141220910	248,061
Total CFDA Number 84.010A			<u>1,020,122</u>
*IDEA - Part B, Formula	84.027	206600012209106600	544,398
*IDEA - Part B, Preschool	84.173	206610012209106100	4,653
Total Special Education Cluster (IDEA)			<u>549,051</u>
Career and Technical - Basic Grant	84.048	20420006220910	44,495
Title III, Part A - English Language Acquisition	84.365A	20671001220910	11,429
ESEA, Title II, Part A, Teacher Principal Training	84.367A	20694501220910	134,525
LEP Summer School	84.369	69551902	2,671
Instructional Continuity	84.377A	17610740220910	14,415
Title IV, Part A, Subpart 1	84.424	20680101220910	45,496
Elementary & Secondary School Emergency Relief Fd	84.425D	20521001220910	679,553
Total Passed Through State Department of Education			<u>2,501,757</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>2,501,757</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778		27,944
Total Passed Through Texas Dept of Human Services			<u>27,944</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>27,944</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	01024	404,534
*National School Lunch Program - Cash Assistance	10.555	01024	1,180,974
*National School Lunch Prog. - Non-Cash Assistance	10.555	01024	173,076
Total CFDA Number 10.555			<u>1,354,050</u>
*Summer Feeding Program - Cash Assistance	10.559	01024	221,963
Total Child Nutrition Cluster			<u>1,980,547</u>
Total Passed Through the State Department of Agriculture			<u>1,980,547</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>1,980,547</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 4,510,248</u></u>

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

LAKE WORTH INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES TO FEDERAL AWARDS
AUGUST 31, 2020

NOTE A – BASIS OF PRESENTATION

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

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such 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.

NOTE C—INDIRECT COST RATE

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

NOTE D – RECONCILIATION OF EXPENDITURES OF FEDERAL AWARDS

The following is a reconciliation of expenditures of federal awards program per the Schedule of Expenditures of Federal Awards and expenditures reported in the financial statements as follows:

Total federal sources per financial statements for Governmental Funds	\$5,115,505
School Health & Related Services (SHARS) reimbursement not reported in the Schedule of Expenditures of Federal Awards	<u>(605,257)</u>
Total federal expenditures on Schedule of Expenditures of Federal Awards	<u>\$4,510,248</u>