

TOLAR INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2021*

Tolar Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2021

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## *Introductory Section*

CERTIFICATE OF BOARD

Tolar Independent School District  
Name of School District

Hood  
County

111-903  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2021, at a meeting of the board of trustees of such school district on the 16<sup>th</sup> day of December, 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)

## *Financial Section*



## SNOW GARRETT WILLIAMS

CERTIFIED PUBLIC ACCOUNTANTS

### Independent Auditor's Report

To the Board of Trustees  
Tolar Independent School District  
P.O. Box 368  
Tolar, Texas 76476

#### **Report on the Audit of the Financial Statements**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tolar Independent School District ("the District") as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

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

## Emphasis of Matter

### Change in Accounting Principle

As described in Note A to the financial statements, in Fiscal Year 2021, Tolar Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability, schedule of District pension contributions, schedule of the District's proportionate share of the net OPEB liability, and schedule of District OPEB contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tolar Independent School District's basic financial statements. The introductory section and accompanying other supplementary information are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* 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 other supplementary information, except for Exhibit J-5, 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 other supplementary information 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 introductory section and Exhibit J-5 of the other supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

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

Respectfully submitted,

A handwritten signature in black ink that reads "Snow Garrett Williams". The signature is written in a cursive, flowing style.

Snow Garrett Williams  
December 13, 2021

## **Management's Discussion and Analysis** (Unaudited)

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2021. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

### **Financial Highlights**

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent period by (\$192,680) (*net position*). Of this amount, (\$3,807,521) (*unrestricted net position*) may be used to meet the District's ongoing obligations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$4,226,479. Approximately 76 percent of this total amount, \$3,230,990, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,230,990, or 43% of the total general fund expenditures.

### **Overview of the Financial Statements**

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

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

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

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

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental 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 has no *business-type activities* and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 12-13 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole.

- 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 particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the District can be divided into three categories: governmental funds and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 14-19 of this report.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position that can be found on pages 20-21.

**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 and fund financial statements. The notes to the financial statements can be found on pages 22-45 of this report.

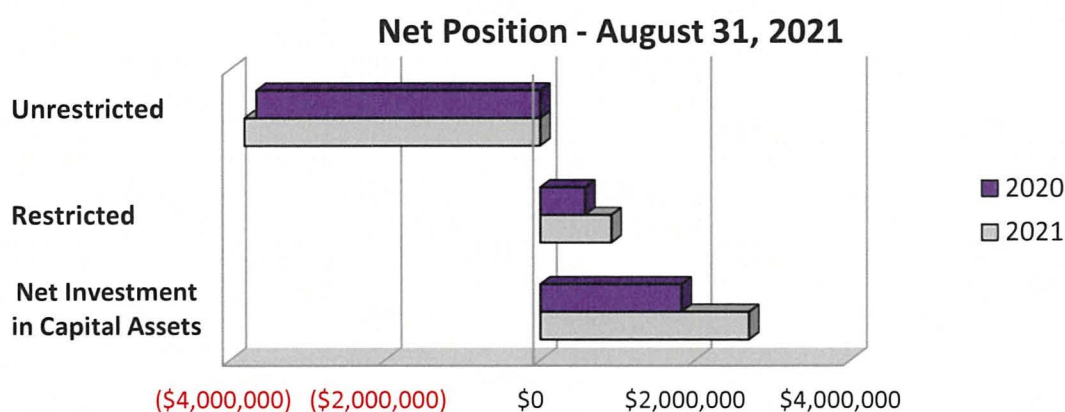
**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 46-52 of this report.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$192,680 as of August 31, 2021.

### The District's Net Position

	<u>August 31, 2021</u>	<u>August 31, 2020</u>
Current and other assets	\$ 4,919,493	\$ 3,567,395
Capital assets	11,936,281	12,436,631
Total assets	<u>16,855,774</u>	<u>16,004,026</u>
Deferred outflows of resources		
Deferred outflow related to pensions	716,417	979,110
Deferred outflow related to OPEB	772,977	886,947
Total deferred outflows of resources	<u>1,489,394</u>	<u>1,866,057</u>
Long-term liabilities outstanding	452,994	935,908
Other liabilities	15,039,084	16,666,964
Total liabilities	<u>15,492,078</u>	<u>17,602,872</u>
Deferred inflows of resources		
Deferred Gain on Refunding	1,004,990	
Deferred inflow related to pensions	413,591	322,985
Deferred inflow related to OPEB	1,627,189	1,191,431
Total deferred inflows of resources	<u>3,045,770</u>	<u>1,514,416</u>
Net position:		
Net Investment in capital assets	2,697,307	1,824,947
Restricted	917,534	579,899
Unrestricted	(3,807,521)	(3,652,051)
Total net position	<u>\$ (192,680)</u>	<u>\$ (1,247,205)</u>



Investment in capital assets (e.g., land, buildings, furniture and equipment) is \$2,697,307. 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. An additional portion of the District's net position (\$917,534) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (-\$3,807,521) may be used to meet the District's ongoing obligations. This deficit is not an indication that the District does not have resources available to meet financial obligations next year, but rather the result of having long-term commitments that are more than currently available resources.

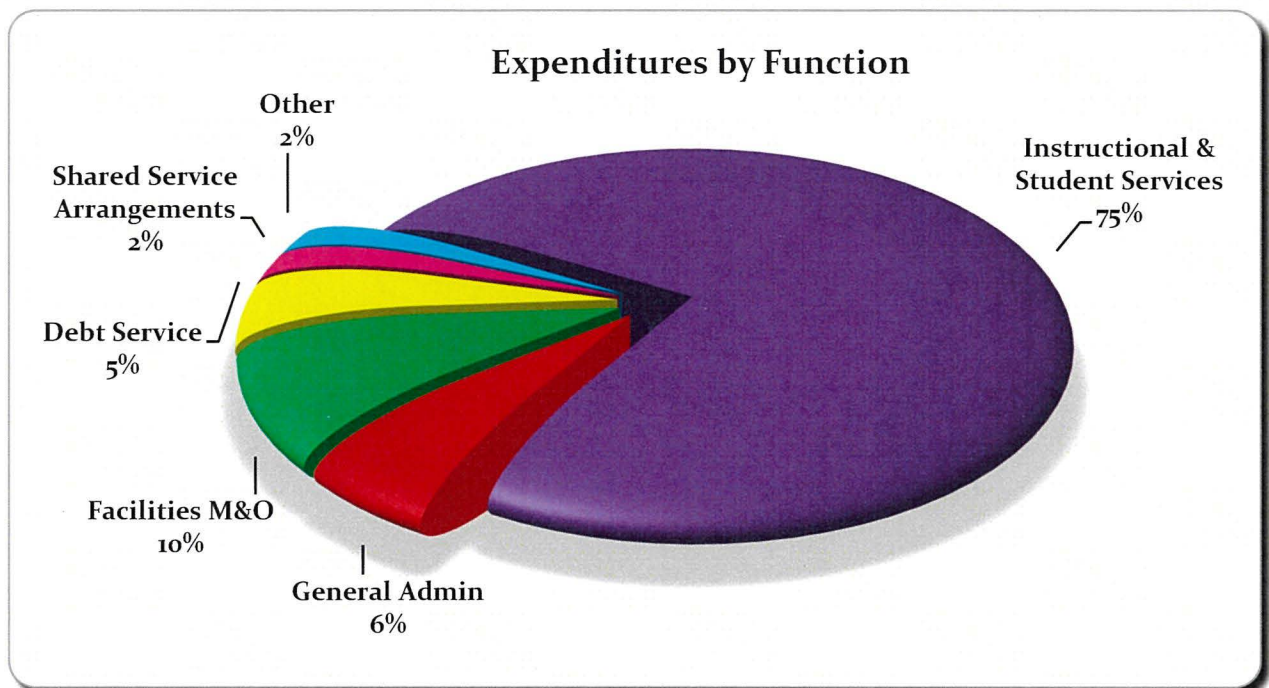
**Governmental activities.** The District's total net position increased by \$977,474. The total cost of all *governmental activities* this year was \$9,898,029. The amount that our taxpayers paid for these activities through property taxes was \$3,921,543 or 40%.

#### Changes in the District's Net Position

	<u>August 31, 2021</u>	<u>August 31, 2020</u>
Revenues:		
Program revenues:		
Charges for services	\$ 139,562	\$ 147,525
Operating grants & contributions	1,475,767	1,398,066
General revenues:		
Property taxes	3,921,543	3,595,164
Grants and contributions	4,934,143	4,585,906
Other	404,488	38,182
Total revenues	<u>10,875,503</u>	<u>9,764,843</u>
Expenses:		
Instruction	5,362,783	5,914,502
Instructional resources & media services	42,925	48,339
Curriculum & staff development	8,460	6,800
Instructional leadership	48,223	-
School leadership	591,017	618,750
Guidance, counseling & evaluation services	224,107	264,850
Health services	119,222	109,451
Student transportation	165,234	143,694
Food services	384,652	352,003
Co-curricular/extracurricular activities	510,880	387,058
General administration	586,424	576,634
Facilities maintenance & operations	929,050	968,316
Security and monitoring services	18,507	8,889
Data processing services	154,429	135,374
Community services	31,101	34,125
Debt service-interest on long-term debt	318,815	432,192
Debt service-bond issuance costs and fees	186,985	1,952
Capital outlay	-	-
Payments to shared service arrangements	213,215	228,456
Total expenses	<u>9,896,029</u>	<u>10,231,385</u>
Increase/(Decrease) in net position	977,474	(466,542)
Beginning net position	(1,247,205)	(780,663)
Prior period adjustment	77,051	-
Beginning net position, as restated	(1,170,154)	(780,663)
Ending net position	<u>\$ (192,680)</u>	<u>\$ (1,247,205)</u>







### Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$4,226,479, an increase of \$1,610,218. \$3,230,990 of this total amount constitutes *unassigned fund balance*. The remainder of fund balance is *restricted or committed* to indicate that it is not available for new spending because it has already been:

- Non-spendable:
  - prepaid items (\$83,935)
- Restricted to pay:
  - debt service (\$838,417)
- Committed to pay for:
  - campus activity (\$73,137)

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,230,990 or 43% of the total general fund expenditures.

The fund balance of the District's general fund increased \$1,245,952 during the current fiscal year. This increase was because of several reasons, highest paying taxpayer (VISTA Sand Plant) paid previous year taxes in current year, federal ESSER funds as well as increased enrollment.

The debt service fund has a total fund balance of \$838,417, all of which is restricted for the payment of debt service. The net increase in fund balance during the period in the debt service was \$368,180 due to highest paying taxpayer paid previous year taxes in current year.

## General Fund Budgetary Highlights

The following are significant variations between the final budget and actual amounts for the general fund:

- Actual revenues were higher than budgeted by \$193,912, primarily related to local sources and state program revenues; and
- Actual expenditures were \$993,456 lower than budgeted primarily due to capital outlay and ESSER funds reducing instructional expenses.

## Capital Asset and Debt Administration

**Capital Assets.** The District's investment in capital assets for its governmental activities as of August 31, 2021 amounts to \$11,936,281 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and construction in progress.

### Districts Capital Assets (net of depreciation)

	August 31, 2021	August 31, 2020
Land	\$ 1,035,749	\$ 1,035,749
Buildings and improvements	10,199,777	10,714,970
Furniture and equipment	589,277	574,434
Construction in Progress	111,478	111,478
Total at historical cost	<u>\$ 11,936,281</u>	<u>\$ 12,325,153</u>

Additional information on the District's capital assets can be found in Note D on page 29 of this report.

**Long-term Debt.** As of August 31, 2021, the District had total general obligation bonded debt outstanding of 8,807,161, a decrease of \$200,652 over the prior year. Unamortized premium balance at August 31, 2021 was \$0, a decrease of \$1,228,629 from the prior year. The District issued Unlimited Tax Refunding Bonds, Series 2021 (Par Amount \$8,127,161; premium \$1,936,339) which decreased certain maturities of the Unlimited Tax Refunding Bonds, Series 2013 and Unlimited Tax Building and Refunding Bonds, Series 2013. The District's accumulated accretion on CAB's increased by \$316,839, resulting in ending accumulated accretion of \$1,941,575. The District also had notes from direct borrowings outstanding of \$431,813, which is an increase from the prior year of \$56,571. The net pension liability for fiscal year 2021 had an ending balance of \$1,696,359, a decrease of \$222,866 from the prior year. And finally, the net OPEB liability for fiscal year 2021 had an ending balance of \$2,205,539, which is a decrease of \$548,484 from the prior year.

The District's bonds are rated "AAA" by virtue of the guarantee of the Permanent School Fund of the State of Texas. The uninsured tax supported debt of the District is rated "Baa3" by Moody's.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the District is \$29,787,638.

Additional information on the District's long-term debt can be found in Note F on pages 30-31 of this report.

## Economic Factors and Next Year's Budgets and Rates

- Current 2021-2022 enrollment is approximately 853.
- The District is currently at \$0.96 per \$100 in assessed property value. The maximum tax rate allowable by state law for maintenance and operations is \$0.96.
- The District has appropriated revenues and expenditures in the 2021-2022 General Fund budget which total \$9,713,662 and \$10,428,157, respectively.
- In preparation of building a secondary gym the 2021-22 budget significantly increased from prior year reflecting a deficit budget of \$714,495.



## Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Tolar ISD Business Office.





## *Basic Financial Statements*

**TOLAR INDEPENDENT SCHOOL DISTRICT****STATEMENT OF NET POSITION**

AUGUST 31, 2021

Data Control Codes		1	Governmental Activities
<b>ASSETS:</b>			
1110	Cash and Cash Equivalents	\$	4,046,256
1225	Property Taxes Receivable (Net)		321,561
1240	Due from Other Governments		450,405
1290	Other Receivables (Net)		17,336
1410	Unrealized Expenses		83,935
Capital Assets:			
1510	Land		1,035,749
1520	Buildings and Improvements (Net)		10,199,777
1530	Furniture and Equipment (Net)		589,277
1580	Construction in Progress		111,478
1000	Total Assets		<u>16,855,774</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
	Deferred Outflow Related to Pensions		716,417
	Deferred Outflow Related to OPEB		<u>772,977</u>
1700	Total Deferred Outflows of Resources		<u>1,489,394</u>
<b>LIABILITIES:</b>			
2110	Accounts Payable		33,797
2120	Short-Term Debt Payable		43,363
2140	Interest Payable		38,178
2165	Accrued Liabilities		334,678
2300	Unearned Revenue		2,978
Noncurrent Liabilities:			
2501	Due Within One Year		145,453
2502	Due in More Than One Year		10,991,733
2540	Net Pension Liability		1,696,359
2545	Net OPEB Liability		<u>2,205,539</u>
2000	Total Liabilities		<u>15,492,078</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
	Deferred Gain on Refunding		1,004,990
	Deferred Inflow Related to Pensions		413,591
	Deferred Inflow Related to OPEB		<u>1,627,189</u>
2600	Total Deferred Inflows of Resources		<u>3,045,770</u>
<b>NET POSITION:</b>			
3200	Net Investment in Capital Assets		2,697,307
Restricted For:			
3850	Debt Service		917,534
3900	Unrestricted		<u>(3,807,521)</u>
3000	Total Net Position	\$	<u>(192,680)</u>

The accompanying notes are an integral part of this statement.

## TOLAR INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 5,362,783	\$ 32,093	\$ 922,412	\$ (4,408,278)
12	Instructional Resources and Media Services	42,925	--	2,928	(39,997)
13	Curriculum and Staff Development	8,460	--	503	(7,957)
21	Instructional Leadership	48,223	--	2,871	(45,352)
23	School Leadership	591,017	--	37,474	(553,543)
31	Guidance, Counseling, & Evaluation Services	224,107	--	14,911	(209,196)
33	Health Services	119,222	--	50,400	(68,822)
34	Student Transportation	165,234	--	14,648	(150,586)
35	Food Service	384,652	78,054	232,579	(74,019)
36	Cocurricular/Extracurricular Activities	510,880	--	25,532	(485,348)
41	General Administration	586,424	--	35,563	(550,861)
51	Facilities Maintenance and Operations	929,050	2,010	56,274	(870,766)
52	Security and Monitoring Services	18,507	--	2,657	(15,850)
53	Data Processing Services	156,429	--	11,553	(144,876)
61	Community Services	31,101	27,405	2,363	(1,333)
72	Interest on Long-term Debt	318,815	--	9,302	(309,513)
73	Bond Issuance Costs and Fees	186,985	--	--	(186,985)
81	Capital Outlay	--	--	41,056	41,056
93	Payments Related to Shared Services Arrangements	213,215	--	12,741	(200,474)
TG	Total Governmental Activities	9,898,029	139,562	1,475,767	(8,282,700)
TP	Total Primary Government	\$ 9,898,029	\$ 139,562	\$ 1,475,767	(8,282,700)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				2,965,544
DT	Property Taxes, Levied for Debt Service				955,999
IE	Investment Earnings				2,682
GC	Grants and Contributions Not Restricted to Specific Programs				4,934,143
MI	Miscellaneous				401,806
TR	Total General Revenues				9,260,174
CN	Change in Net Position				977,474
NB	Net Position - Beginning				(1,247,205)
PA	Prior Period Adjustment				77,051
	Net Position - Beginning, as Restated				(1,170,154)
NE	Net Position - Ending				\$ (192,680)

The accompanying notes are an integral part of this statement.

# TOLAR INDEPENDENT SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2021

Data Control Codes	10	
	General Fund	ESSER Fund II of the CRRSA Act
<b>ASSETS:</b>		
1110 Cash and Cash Equivalents	\$ 3,170,179	\$ --
1225 Taxes Receivable	387,726	--
1230 Allowance for Uncollectible Taxes (Credit)	(145,282)	--
1240 Due from Other Governments	163,125	131,882
1260 Due from Other Funds	208,133	--
1290 Other Receivables	12,913	--
1410 Unrealized Expenditures	83,935	--
1000 Total Assets	<u>\$ 3,880,729</u>	<u>\$ 131,882</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2110 Accounts Payable	\$ 29,346	\$ --
2160 Accrued Wages Payable	287,706	--
2170 Due to Other Funds	--	131,882
2200 Accrued Expenditures	6,308	--
2300 Unearned Revenue	--	--
2000 Total Liabilities	<u>323,360</u>	<u>131,882</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Property Taxes	<u>242,444</u>	<u>--</u>
2600 Total Deferred Inflows of Resources	<u>242,444</u>	<u>--</u>
<b>FUND BALANCES:</b>		
Nonspendable Fund Balances:		
3430 Prepaid Items	83,935	--
Restricted Fund Balances:		
3480 Retirement of Long-Term Debt	--	--
Committed Fund Balances:		
3545 Other Committed Fund Balance- Campus Activity	--	--
3600 Unassigned	<u>3,230,990</u>	<u>--</u>
3000 Total Fund Balances	<u>3,314,925</u>	<u>--</u>
Total Liabilities, Deferred Inflow 4000 of Resources and Fund Balances	<u>\$ 3,880,729</u>	<u>\$ 131,882</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 836,972	\$ 39,105	\$ 4,046,256
126,910	--	514,636
(47,793)	--	(193,075)
--	155,398	450,405
--	--	208,133
4,423	--	17,336
--	--	83,935
<u>\$ 920,512</u>	<u>\$ 194,503</u>	<u>\$ 5,127,626</u>
\$ --	\$ 4,451	\$ 33,797
--	37,268	324,974
--	76,251	208,133
--	3,396	9,704
2,978	--	2,978
<u>2,978</u>	<u>121,366</u>	<u>579,586</u>
79,117	--	321,561
<u>79,117</u>	<u>--</u>	<u>321,561</u>
--	--	83,935
838,417	--	838,417
--	73,137	73,137
--	--	3,230,990
<u>838,417</u>	<u>73,137</u>	<u>4,226,479</u>
<u>\$ 920,512</u>	<u>\$ 194,503</u>	<u>\$ 5,127,626</u>

**TOLAR INDEPENDENT SCHOOL DISTRICT**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
AUGUST 31, 2021*

Total fund balances - governmental funds balance sheet

\$ 4,226,479

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

Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	321,561
Capital assets used in governmental activities are not reported in the funds.	11,936,281
Deferred Resource Outflows related to the pension plan are not reported in the funds.	716,417
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	772,977
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(1,696,359)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(2,205,539)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(413,591)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(1,627,189)
Payables for bond principal which are not due in the current period are not reported in the funds.	(8,807,161)
Payables for notes which are not due in the current period are not reported in the funds.	(431,813)
Payables for bond interest which are not due in the current period are not reported in the funds.	(38,178)
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(1,941,575)
Deferred gain on refunding bonds is not reported in the funds.	<u>(1,004,990)</u>

Net position of governmental activities - Statement of Net Position

\$ (192,680)

The accompanying notes are an integral part of this statement.

# TOLAR INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes		10 General Fund	ESSER Fund II of the CRRSA Act
REVENUES:			
5700	Local and Intermediate Sources	\$ 3,393,810	\$ --
5800	State Program Revenues	5,356,731	--
5900	Federal Program Revenues	28,127	148,785
5020	Total Revenues	8,778,668	148,785
EXPENDITURES:			
Current:			
0011	Instruction	4,129,418	107,173
0012	Instructional Resources and Media Services	37,920	--
0013	Curriculum and Staff Development	7,563	--
0021	Instructional Leadership	48,223	--
0023	School Leadership	522,545	--
0031	Guidance, Counseling, & Evaluation Services	196,172	--
0033	Health Services	60,549	41,612
0034	Student Transportation	234,229	--
0035	Food Service	--	--
0036	Cocurricular/Extracurricular Activities	378,504	--
0041	General Administration	523,090	--
0051	Facilities Maintenance and Operations	911,452	--
0052	Security and Monitoring Services	12,079	--
0053	Data Processing Services	137,496	--
0061	Community Services	27,661	--
0071	Principal on Long-term Debt	42,064	--
0072	Interest on Long-term Debt	11,595	--
0073	Bond Issuance Costs and Fees	--	--
0081	Capital Outlay	101,525	--
0093	Payments to Shared Service Arrangements	213,215	--
6030	Total Expenditures	7,595,300	148,785
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	1,183,368	--
Other Financing Sources and (Uses):			
7911	Debt Issued - Refunding Bonds	--	--
7914	Issuance of Non-Current Debt	98,635	--
7915	Transfers In	--	--
7916	Premium or Discount on Issuance of Bonds	--	--
8911	Transfers Out	(36,051)	--
8949	Other Uses - Payment to Refunded Bond Escrow Agent	--	--
7080	Total Other Financing Sources and (Uses)	62,584	--
1200	Net Change in Fund Balances	1,245,952	--
0100	Fund Balances - Beginning	1,999,817	--
1300	Prior Period Adjustment	69,156	--
	Fund Balances - Beginning, as Restated	2,068,973	--
3000	Fund Balances - Ending	\$ 3,314,925	\$ --

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 1,027,655	\$ 162,846	\$ 4,584,311
9,302	48,288	5,414,321
--	741,118	918,030
<u>1,036,957</u>	<u>952,252</u>	<u>10,916,662</u>
--	517,538	4,754,129
--	299	38,219
--	--	7,563
--	--	48,223
--	--	522,545
--	--	196,172
--	4,347	106,508
--	--	234,229
--	345,568	345,568
--	87,154	465,658
--	--	523,090
--	--	911,452
--	--	12,079
--	2,311	139,807
--	--	27,661
200,640	--	242,704
376,156	--	387,751
186,985	--	186,985
--	35,000	136,525
--	--	213,215
<u>763,781</u>	<u>992,217</u>	<u>9,500,083</u>
<u>273,176</u>	<u>(39,965)</u>	<u>1,416,579</u>
8,127,161	--	8,127,161
--	--	98,635
--	36,051	36,051
1,936,339	--	1,936,339
--	--	(36,051)
<u>(9,968,496)</u>	<u>--</u>	<u>(9,968,496)</u>
95,004	36,051	193,639
368,180	(3,914)	1,610,218
470,237	--	2,470,054
--	77,051	146,207
470,237	77,051	2,616,261
<u>\$ 838,417</u>	<u>\$ 73,137</u>	<u>\$ 4,226,479</u>



**TOLAR INDEPENDENT SCHOOL DISTRICT**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2021*

Net change in fund balances - total governmental funds	\$ 1,610,218
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(118,718)
Capital outlays are not reported as expenses in the SOA.	312,367
The depreciation of capital assets used in governmental activities is not reported in the funds.	(812,717)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These pension contributions made after the measurement date of the plan increased ending net position.	138,534
Pension contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction to NPL.	(130,398)
The proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased net position.	(138,569)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These OPEB contributions made after the measurement date of the plan increased net position.	44,946
OPEB contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in the net OPEB liability.	(44,265)
The proportionate share of the TRS-Care expense on the plan as a whole had to be recorded. The net OPEB expense decreased net position.	(1,925)
Proceeds of bonds do not provide revenue in the SOA but are reported as other financing sources in the funds.	(8,127,161)
Proceeds of notes do not provide revenue in the SOA but are reported as other financing sources in the funds.	(98,635)
Capital Appreciation Bond premiums on issuance are reported in the funds but not in the SOA.	(1,936,339)
Payment to escrow agent for refunding bonds is reported in the funds but not in the SOA	9,968,496
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	200,640
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	42,064
(Increase) decrease in accrued interest on bonds from beginning of period to end of period.	67,120
The accretion of interest on capital appreciation bonds is not reported in the funds.	29,407
Interest paid in defeasance of refunded bonds is reported in the SOA but not in the funds.	(141,375)
Premiums on bonds are amortized in the SOA but not in the funds.	113,784
Change in net position of governmental activities - Statement of Activities	\$ <u>977,474</u>

The accompanying notes are an integral part of this statement.

**TOLAR INDEPENDENT SCHOOL DISTRICT****STATEMENT OF FIDUCIARY NET POSITION****AUGUST 31, 2021**Data  
Control  
CodesCustodial  
Funds**ASSETS:**1110 *Cash and Cash Equivalents*  
1000 Total Assets\$ 4,268  
4,268**LIABILITIES:**

2000 Total Liabilities

--

**NET POSITION:***Restricted for Student Activities*

3000 Total Net Position

4,268  
\$ 4,268

The accompanying notes are an integral part of this statement.

**TOLAR INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

	Custodial Funds
<b>ADDITIONS:</b>	
Revenues from Student Activities	\$ 31,910
Total Additions	<u>31,910</u>
<b>DEDUCTIONS:</b>	
Payments for Student Activities	<u>28,394</u>
Total Deductions	<u>28,394</u>
<b>Change in Fiduciary Net Position</b>	3,516
Net Position-Beginning of the Year	--
Prior Period Adjustment	752
Net Position - Beginning, As Restated	<u>752</u>
Net Position-End of the Year	<u>\$ 4,268</u>

The accompanying notes are an integral part of this statement.

**TOLAR INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2021*

**A. Summary of Significant Accounting Policies**

The basic financial statements of Tolar Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**1. Reporting Entity**

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

**Government-wide Financial Statements:** The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

**General Fund:** This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

**TOLAR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

ESSER Fund II of the CRRSA Act: This fund is used to account for federal stimulus ESSER II funds granted to LEAs through the CRRSA Act to support an LEA's ability to operate, instruct its students, address learning loss, prepare schools for reopening, test, repair, and upgrade projects to improve air quality in school buildings during the coronavirus pandemic.

Debt Service Fund: This fund is used to account for all financial resources restricted, committed, or assigned to expenditure for principal and interest.

In addition, the District reports the following fund types:

Custodial Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity. Custodial funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. **Measurement Focus, Basis of Accounting**

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. The District does not consider revenues collected after its year-end to be available in the current period. 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. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

**TOLAR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 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 within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	7-30 years
Equipment	5-10 years

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

**TOLAR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

f. Receivable and Payable Balances

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 which are not scheduled for collection within one year of year end.

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

i. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**TOLAR INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2021*

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. 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 for a specific purpose that is narrower than the general purposes of the District itself. The Board shall delegate to the Superintendent or designee the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

The District shall maintain unassigned fund balance in its General Fund ranging from 15 to 20 percent of audited fund balance. If General Fund fund balance falls below the limit the District shall replenish shortages using various strategies outlined in their policy. The District is currently within the limits.

k. Net Position Flow Assumption

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

l. Fund Balance Flow Assumptions

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

4. Pensions

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



## TOLAR INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2021

#### 5. Other Post-Employment Benefits

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

#### 6. Implementation of New Standards

##### GASB Statement No. 84, *Fiduciary Activities*

This statement establishes standards of accounting and financial reporting by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

#### B. Compliance and Accountability

##### 1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
Food Service Fund total actual expenditures exceeded final budgeted amounts.	The District will closely review the approved budgeted amounts adopted by the School Board and propose amendments for unexpected resources needed during the year to prevent future overspending.

#### C. Deposits and Investments

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

##### 1. Cash Deposits:

At August 31, 2021, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,050,526 and the bank balance was \$4,097,607. The District's cash deposits at August 31, 2021 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

The District had no investments at August 31, 2021.

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

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e. 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.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,035,749	\$ --	\$ --	\$ 1,035,749
Construction in progress	111,478	--	--	111,478
Total capital assets not being depreciated	<u>1,147,227</u>	<u>--</u>	<u>--</u>	<u>1,147,227</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	19,052,383	136,524	--	19,188,907
Equipment	2,036,152	175,843	--	2,211,995
Total capital assets being depreciated	<u>21,088,535</u>	<u>312,367</u>	<u>--</u>	<u>21,400,902</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,337,413)	(651,717)	--	(8,989,130)
Equipment	(1,461,718)	(161,000)	--	(1,622,718)
Total accumulated depreciation	<u>(9,799,131)</u>	<u>(812,717)</u>	<u>--</u>	<u>(10,611,848)</u>
Total capital assets being depreciated, net	<u>11,289,404</u>	<u>(500,350)</u>	<u>--</u>	<u>10,789,054</u>
Governmental activities capital assets, net	<u>\$ 12,436,631</u>	<u>\$ (500,350)</u>	<u>\$ --</u>	<u>\$ 11,936,281</u>

Depreciation was charged to functions as follows:

Instruction	\$ 469,482
Instructional resources and media services	3,783
Curriculum and staff development	749
Instructional Leadership	4,774
School Leadership	51,727
Guidance, counseling, and evaluation service	19,419
Health services	10,543
Student transportation	23,107
Food services	31,879
Extracurricular activities	37,468
General administration	51,863
Plant maintenance and operations	90,151
Security and Monitoring Services	1,196
Data processing services	13,839
Community Services	2,737
	<u>\$ 812,717</u>

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**E. Interfund Balances and Activities**

**1. Due To and From Other Funds**

Balances due to and due from other funds at August 31, 2021, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	ESSER Fund II	\$ 131,882	Short term loan until grant revenue is received for reimbursable expenditures
General Fund	Non-major Governmental Funds	76,251	Short term loan until grant revenue is received for reimbursable expenditures
	Total	\$ 208,133	

All amounts due are scheduled to be repaid within one year.

**2. Transfers To and From Other Funds**

Transfers to and from other funds at August 31, 2021, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Non-major Governmental Funds	\$ 36,051	Supplement Food Service Fund
	Total	\$ 36,051	

**F. Long-Term Obligations**

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

**1. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2021, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
General Obligation Bonds	\$ 9,007,813	\$ 8,127,161	\$ (8,327,813)	\$ 8,807,161	\$ 145,453
Accumulated Accretion	1,624,736	1,936,339	(1,619,500)	1,941,575	--
Premium (amortized)	1,228,629	--	(1,228,629)	--	--
Notes from Direct Borrowings	375,242	98,635	(42,064)	431,813	43,363
Net Pension Liability *	1,919,225	--	(222,866)	1,696,359	--
Net OPEB Liability *	2,754,023	--	(548,484)	2,205,539	--
Total governmental activities	\$ 16,909,668	\$ 10,162,135	\$ (11,989,356)	\$ 15,082,447	\$ 188,816

\* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Net Pension Liability *	Governmental	General Fund
Net OPEB Liability *	Governmental	General Fund

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2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2021, are as follows:

Year Ending August 31,	Governmental Activities				
	Bonds		Notes from Direct Borrowings		
	Principal	Interest	Principal	Interest	Total
2022	\$ 145,453	435,144	43,363	\$ 10,295	\$ 634,255
2023	103,725	566,496	63,080	12,165	745,466
2024	108,523	556,871	65,272	9,973	740,639
2025	118,340	551,856	67,270	7,975	745,441
2026	123,140	546,488	69,328	5,917	744,873
2027-2031	2,022,980	1,204,986	123,500	5,404	3,356,870
2032-2036	2,615,000	602,218	--	--	3,217,218
2037-2041	2,935,000	278,781	--	--	3,213,781
2042-2046	635,000	8,573	--	--	643,573
2047-2051	--	--	--	--	--
Totals	\$ 8,807,161	\$ 4,751,413	\$ 431,813	\$ 51,729	\$ 14,042,116

The Series 2006 UT Building Bonds Interest rate is 4.95% and matures February 2027.

The Series 2013 UT Building and Refunding Bonds interest rate ranges from 2.00% to 4.00% and matures February 2042.

The Series 2021 UT Refunding Bonds interest rate ranges from 1.60% to 2.70% and matures February 2042.

The Time Warrant Series 2017 interest rate is 3.09% and matures October 2027.

The 2021 Bus Note interest rate is 2.89% and matures September 2026.

The District did not have any unused lines of credit, assets pledged as collateral for debt, or terms specified in debt agreements related to significant events of default with finance-related consequences, termination events with finance-related consequences, or subjective acceleration clauses as of August 31, 2021.

3. Current Refunding of Debt

As a result of the current refunding of certain principal maturities of the Unlimited Tax Refunding Bonds, Series 2011 and Unlimited Tax Building and Refunding Bonds, Series 2013 by the issuance of Unlimited Tax Refunding Bonds, Series 2021, the District decreased its total debt service requirements by \$1,926,149 which resulted in a net economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,583,487. The Unlimited Tax Refunding Bonds, Series 2021 were issued at a par amount of \$8,127,161 with a premium of \$1,936,339 and refunded certain principal maturities of the Unlimited Tax Refunding Bonds, Series 2011 in the amount of \$9,037,173 and of the unlimited Tax Building and Refunding Bonds, Series 2013 in the amount of \$7,090,000.

G. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2021, as follows:

<u>Year Ending August 31</u>	
2022	\$ 1,516
Total Minimum Rentals	<u>\$ 1,516</u>
Rental Expenditures in 2021	<u>\$ 6,432</u>

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**H. Risk Management**

**Property Casualty Program**

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the year ended August 31, 2021, the District carried insurance through various plans described below. There were no significant reductions in any coverage in the past fiscal year and there were no settlements exceeding insurable coverage for each of the past three years.

**Property Casualty Program**

During fiscal year 2021, the District participated in the Texas Association of School Boards Risk Management Fund (the Fund) with coverage in Auto Liability, Auto Physical Damage, Privacy and Information Security, Property and School Liability. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2021, the Fund anticipates Tolar ISD has no additional liability beyond the contractual obligations for payment of contributions.

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

**Workers' Compensation**

During the year ended August 31, 2021, Tolar ISD met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2020, the Fund carries a discounted reserve of \$44,135,645 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2021, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

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

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The District established a partially self-funded workers' compensation plan by participating in the Texas Educational Insurance Association until Fiscal Year 2020. The District continues to pay into the Texas Educational Insurance Association for claims incurred in plan years 2001-2002 through 2019-2020. The District is now in the TASB Risk Management Fund. The Association is a public entity risk pool currently operating as a common risk management and insurance program for member colleges and school districts. The main purpose of the Association is to partially self-insure certain workers compensation risks up to an agreed upon retention limit. The plan for worker's compensation benefits is authorized by Section 504.011 of the Labor Code. Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. The liability of the workers' compensation self-insurance plan includes \$9,848 incurred but not reported claims. Costs are allocated to other funds and the retained earnings are fully reserved for self-funded insurance. Estimates of claims payable and of claims incurred, but not reported at August 31, 2021, are reflected as accounts and claims payable in the General Fund. The plan is funded to discharge liabilities of the fund as they become due.

Changes in the balances of claim liabilities from the Texas Educational Insurance Association during the past year are as follows:

	Year Ended 8/31/2021	Year Ended 8/31/2020
Unpaid claims, beginning of year	\$ 31,255	\$ 30,801
Incurred claims	(4,729)	10,006
Claim payments	(6,060)	(9,552)
Unpaid claims, end of fiscal year	<u>\$ 20,466</u>	<u>\$ 31,255</u>

**Unemployment Compensation**

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

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2021, the Fund anticipates that Tolar ISD has no additional liability beyond the contractual obligation for payment of contributions.

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

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**I. Pension Plan**

**1. 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.

**2. Pension Plan Fiduciary Net Position**

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

**3. Benefits Provided**

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their) beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1.) above.

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

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



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4. 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 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent 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.

<b><u>Contribution Rates</u></b>		
	<u>2020</u>	<u>2021</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
 District's 2021 Employer Contributions	 \$ 138,534	
District's 2021 Member Contributions	\$ 399,735	
2020 NECE On-Behalf Contributions (State)	\$ 316,685	

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

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

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

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

- 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.
- All public schools, charter schools and regional education service centers must contribute 1.5% of the member's salary beginning in fiscal year 2020, gradually increasing to 2% in fiscal year 2025.

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5. Actuarial Assumptions

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

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	2.33%
Last year ending August 31 in Projection Period	2119
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Ad hoc post-employment benefit changes	None

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

6. Discount Rate

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

Based on those assumptions, 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 System's target asset allocation as of August 31, 2020 are summarized below:

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Asset Class	Target Allocation *	Long-Term Expected Arithmetic Real Rate of Return **	Expected Contribution to Long-Term Portfolio Returns
<b>Global Equity</b>			
USA	18.00%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
<b>Stable Value</b>			
Government Bonds	16.00%	(0.70)%	(0.05)%
Stable Value Hedge Funds	5.00%	1.90%	0.11%
<b>Real Return</b>			
Real Estate	15.00%	4.60%	1.01%
Energy, Natural Resources & Infrastructure	6.00%	6.00%	0.42%
<b>Risk Parity</b>			
Risk Parity	8.00%	3.00%	0.30%
<b>Leverage</b>			
Cash	2.00%	(1.50)%	(0.03)%
Asset Allocation Leverage	(6.00%)	(1.30)%	0.08%
<b>Inflation Expectation</b>			2.00%
<b>Volatility Drag ***</b>	-		(0.67)%
<b>Total</b>	<b>100.0%</b>		<b>7.33%</b>

\* Target allocations are based on the FY2020 policy model.  
\*\* Capital Market Assumptions come from Aon Hewitt (as of 8/31/2020)  
\*\*\* The volatility drag results from the conversion between arithmetic and geometric mean returns.

7. Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using a discount rate of 7.25%, and what the net position liability would be if it were calculated using a discount rate that is 1% point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	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:	\$ 2,615,755	\$ 1,696,359	\$ 949,369

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

At August 31, 2021, the District reported a liability of \$1,696,359 for its proportionate share of the TRS 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	\$ 1,696,359
State's proportionate share that is associated with District	4,110,747
<b>Total</b>	<b>\$ 5,807,106</b>

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

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.003167% which was a decrease of .000525% from its proportion measured as of August 31, 2019.

9. **Changes Since the Prior Actuarial Valuation**

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

For the year ended August 31, 2021, the District recognized pension expense of \$763,399 which includes revenue of \$494,432 representing pension expense incurred by the State on behalf of the District.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 3,097	\$ 47,341
Changes in actuarial assumptions	393,616	167,363
Difference between projected and actual investment earnings	34,341	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	146,829	198,887
Contributions paid to TRS subsequent to the measurement date	138,534	--
Total	<u>\$ 716,417</u>	<u>\$ 413,591</u>

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

Year ended August 31	Pension Expense Amount
2022	\$ 68,217
2023	\$ 76,408
2024	\$ 75,139
2025	\$ 8,091
2026	\$ (52,372)
Thereafter	\$ (11,191)

**TOLAR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

**J. Defined Other Post-Employment Benefit Plans**

**1. 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 with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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

**2. OPEB Plan Fiduciary Net Position**

Detailed information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [http://www.trs.texas.gov/Pages/about\\_publications.aspx](http://www.trs.texas.gov/Pages/about_publications.aspx) ; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. Austin, TX 78701-2698.

**3. Benefits Provided**

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

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLAs).

The premium rate 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

**4. 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.

**TOLAR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2020	2021
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding *	1.25%	1.25%
Total		
* Contributions paid from federal funds and private grants are remitted by the employer and paid at the State rate.		

District's 2021 Employer Contributions	\$	44,946
District's 2021 Member Contributions	\$	33,744
2020 NECE On-Behalf Contributions (State)	\$	59,256

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether 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 \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

**5. Actuarial Assumptions**

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

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

**TOLAR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

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

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

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

The initial medical trend rates were 9.0% for Medicare retirees and 7.3% for non-Medicare retirees. There was an initial prescription drug trend rate of 9.0% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Election Rates	Normal Retirement: 65% participation prior to age 65 and 45% participation after age 65.
Ad Hoc Post-Employment Benefit Changes	None

6. Discount Rate

A single discount rate of 2.33% was used to measure the total OPEB liability. This was a decrease of .30% in the discount rate since the previous year. Because the plan is essentially a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

**TOLAR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District's proportionate share of net OPEB liability	\$ 2,646,642	\$ 2,205,539	\$ 1,857,132

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

At August 31, 2021, the District reported a liability of \$2,205,539 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 2,205,539
State's proportionate share that is associated with the District	<u>2,963,716</u>
Total	<u>\$ 5,169,255</u>

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

At August 31, 2020 the District's proportion of the collective net OPEB liability was 0.005802% which was a decrease of .000022% from its proportion measured as of August 31, 2019.

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

	1% Decrease in Healthcare Trend (7.5%) Rate	Current Single Healthcare Trend (8.5%) Rate	1% Increase in Healthcare Trend (9.5%) Rate
District's proportionate share of net OPEB liability	\$ 1,801,643	\$ 2,205,539	\$ 2,743,472

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



**TOLAR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

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

For the year ended August 31, 2021 the District recognized OPEB expenses of \$25,611, which includes revenue of (\$20,579) representing OPEB expense incurred by the State on behalf of the District.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 115,481	\$ 1,009,368
Changes in actuarial assumptions	136,036	605,653
Differences between projected and actual investment earnings	717	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	475,797	12,168
Contributions paid to TRS subsequent to the measurement date	<u>44,946</u>	
Total	\$ <u>772,977</u>	\$ <u>1,627,189</u>

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

Year ended August 31	OPEB Expense Amount
2022	\$ (150,097)
2023	\$ (150,195)
2024	\$ (150,250)
2025	\$ (150,235)
2026	\$ (91,323)
Thereafter	\$ (207,058)

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for 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 year ended August 31, 2021, the subsidy payment received by TRS-Care on behalf of the District was \$25,227.

**TOLAR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

**K. Employee Health Care Coverage**

During the year ended August 31, 2021, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable annually, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Company are available for their year end and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

**L. Commitments and Contingencies**

**1. Contingencies**

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

**2. Litigation**

No reportable litigation was pending against the District at August 31, 2021.

**M. Shared Services Arrangements**

**Shared Services Arrangement - Membership**

The District participates in a shared services arrangement ("SSA") for special education with the following school districts:

**Member Districts**

Bluff Dale ISD  
Glen Rose ISD  
Three Way ISD  
Tolar ISD

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Glen Rose ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

**TOLAR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

**N. Prior Period Adjustments**

	Governmental Activities	General Fund	Nonmajor Governmental Funds	Custodial Fund
Beginning net position/fund balance, as originally presented	\$ (1,247,205)	\$ 1,999,817	\$ --	\$ --
Reclassification of Due to Student Groups liability to Fiduciary Net Position (See 1. below)	--	--	--	77,803
Reclassification of groups moved from a custodial fund to a special revenue fund (See 1. below)	77,051	--	77,051	(77,051)
Reclassification of activities from the internal service fund to the general fund (See 2. below)	--	69,156	--	--
Beginning net position/fund balance, as restated	<u>\$ (1,170,154)</u>	<u>2,068,973</u>	<u>\$ 77,051</u>	<u>\$ 752</u>

1. During fiscal year 2021, the District implemented GASB Statement No. 84, *Fiduciary Activities*. As a result, the beginning fund balance of the District's governmental funds, and the beginning net position of the governmental activities and custodial fund have been restated.

2. The District reported an internal service fund to account for the partially self-funded workers' compensation plan in 2019-2020 and prior. As described in the Notes to the Financial Statements (Footnote G), the District changed to a fully funded guaranteed costs workers compensation plan in the 2020-2021 year and reclassified the activities of the workers compensation plan to the general fund effective September 1, 2020. The effect of this change, was an increase in the fund balance of the general fund as presented above. Both the internal service fund and general fund are governmental activities on the Statement of Net Position; therefore, there was no effect on the beginning Statement of Net Position due to this change.

**O. Subsequent Events**

The District evaluated subsequent events through December 13, 2021, the date the financial statements were available to be issued, and no subsequent events were noted.

### *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

# TOLAR INDEPENDENT SCHOOL DISTRICT

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 3,555,826	\$ 3,338,010	\$ 3,393,810	\$ 55,800
5800	State Program Revenues	5,245,589	5,231,746	5,356,731	124,985
5900	Federal Program Revenues	178,000	15,000	28,127	13,127
5020	Total Revenues	8,979,415	8,584,756	8,778,668	193,912
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	Instruction	4,575,042	4,438,110	4,129,418	308,692
0012	Instructional Resources and Media Services	44,115	44,115	37,920	6,195
0013	Curriculum and Staff Development	10,250	10,250	7,563	2,687
	Total Instruction & Instr. Related Services	4,629,407	4,492,475	4,174,901	317,574
	Instructional and School Leadership:				
0021	Instructional Leadership	45,350	47,750	48,223	(473)
0023	School Leadership	512,170	523,620	522,545	1,075
	Total Instructional & School Leadership	557,520	571,370	570,768	602
	Support Services - Student (Pupil):				
0031	Guidance, Counseling and Evaluation Services	212,489	212,489	196,172	16,317
0033	Health Services	119,858	119,858	60,549	59,309
0034	Student (Pupil) Transportation	230,855	241,855	234,229	7,626
0036	Cocurricular/Extracurricular Activities	416,820	416,820	378,504	38,316
	Total Support Services - Student (Pupil)	980,022	991,022	869,454	121,568
	Administrative Support Services:				
0041	General Administration	498,143	524,643	523,090	1,553
	Total Administrative Support Services	498,143	524,643	523,090	1,553
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	875,287	919,047	911,452	7,595
0052	Security and Monitoring Services	8,900	13,450	12,079	1,371
0053	Data Processing Services	128,025	146,525	137,496	9,029
	Total Support Services - Nonstudent Based	1,012,212	1,079,022	1,061,027	17,995
	Ancillary Services:				
0061	Community Services	--	30,765	27,661	3,104
	Total Ancillary Services	--	30,765	27,661	3,104
	Debt Service:				
0071	Principal on Long-Term Debt	723,819	42,064	42,064	--
0072	Interest on Long-Term Debt	--	11,595	11,595	--
	Total Debt Service	723,819	53,659	53,659	--
	Capital Outlay:				
0081	Capital Outlay	25,000	600,800	101,525	499,275
	Total Capital Outlay	25,000	600,800	101,525	499,275

# TOLAR INDEPENDENT SCHOOL DISTRICT

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	Intergovernmental Charges:				
0093	<i>Payments to Fiscal Agent/Member Dist.-SSA</i>	210,000	245,000	213,215	31,785
	Total Intergovernmental Charges	210,000	245,000	213,215	31,785
6030	Total Expenditures	8,636,123	8,588,756	7,595,300	993,456
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	343,292	(4,000)	1,183,368	1,187,368
	Other Financing Sources (Uses):				
7912	<i>Sale of Real or Personal Property</i>	--	2,000	--	(2,000)
7914	<i>Issuance of Non-Current Debt</i>	--	99,000	98,635	(365)
8911	<i>Transfers Out</i>	--	(97,000)	(36,051)	60,949
7080	Total Other Financing Sources and (Uses)	--	4,000	62,584	58,584
1200	Net Change in Fund Balance	343,292	--	1,245,952	1,245,952
0100	Fund Balance - Beginning	1,999,817	1,999,817	1,999,817	--
1300	Prior Period Adjustment	69,156	69,156	69,156	--
0100	Fund Balance - Beginning, as Restated	2,068,973	2,068,973	2,068,973	--
3000	Fund Balance - Ending	\$ 2,068,973	\$ 2,068,973	\$ 3,314,925	\$ 1,245,952

**TOLAR INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
LAST TEN FISCAL YEARS \**

	Measurement Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the net pension liability (asset)	0.003167%	0.003692%	0.003673%	0.003209%	0.003158%	0.003405%	0.002083%	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 1,696,359	\$ 1,919,225	\$ 2,021,952	\$ 1,026,209	\$ 1,193,318	\$ 1,203,764	\$ 556,504	--	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the District	4,110,747	3,583,751	3,801,557	2,326,889	2,786,108	2,605,509	2,270,372	--	--	--
Total	<u>\$ 5,807,106</u>	<u>\$ 5,502,976</u>	<u>\$ 5,823,509</u>	<u>\$ 3,353,098</u>	<u>\$ 3,979,426</u>	<u>\$ 3,809,273</u>	<u>\$ 2,826,876</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered payroll	\$ 4,994,208	\$ 4,564,372	\$ 4,361,846	\$ 4,232,056	\$ 4,092,952	\$ 3,873,270	\$ 3,906,385	--	\$ --	\$ --
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.97%	42.05%	46.36%	24.25%	29.16%	31.08%	14.25%	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%	--	--	--

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

**TOLAR INDEPENDENT SCHOOL DISTRICT***SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS**TEACHER RETIREMENT SYSTEM OF TEXAS**LAST TEN FISCAL YEARS \**

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 138,534	\$ 130,398	\$ 128,364	\$ 123,875	\$ 105,496	\$ 100,334	\$ 100,836	\$ 52,821	--	\$ --
Contributions in relation to the contractually required contribution	(138,534)	(130,398)	(128,364)	(123,875)	(105,496)	(100,334)	(100,836)	(52,821)	--	--
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered payroll	\$ 5,191,359	\$ 4,994,208	\$ 4,564,372	\$ 4,361,846	\$ 4,232,056	\$ 4,092,952	\$ 3,873,270	\$ 3,906,385	--	\$ --
Contributions as a percentage of covered payroll	2.67%	2.61%	2.81%	2.84%	2.49%	2.45%	2.60%	1.35%	--	--

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.



**TOLAR INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
LAST TEN FISCAL YEARS \**

	Measurement Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the collective net OPEB liability	0.005802%	0.005824%	0.005799%	0.004673%	--	--	--	--	--	--
District's proportionate share of the collective net OPEB liability	\$ 2,205,539	\$ 2,754,023	\$ 2,895,507	\$ 2,032,031	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State proportionate share of the collective net OPEB liability associated with the District	2,963,716	3,659,480	3,851,574	3,435,955	--	--	--	--	--	--
Total	<u>\$ 5,169,255</u>	<u>\$ 6,413,503</u>	<u>\$ 6,747,081</u>	<u>\$ 5,467,986</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered payroll	\$ 4,994,208	\$ 4,564,372	\$ 4,361,846	\$ 4,232,056	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	44.16%	60.34%	66.38%	48.02%	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	4.99%	2.66%	1.57%	0.91%	--	--	--	--	--	--

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

**TOLAR INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS**  
**TEACHER RETIREMENT SYSTEM OF TEXAS**  
**LAST TEN FISCAL YEARS \***

	Fiscal Year Ended									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily or contractually required District contribution	\$ 44,946	\$ 44,265	\$ 40,789	\$ 36,899	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	44,946	44,265	40,789	36,899	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 5,191,359	\$ 4,994,208	\$ 4,564,372	\$ 4,361,846	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered payroll	0.87%	0.89%	0.89%	0.85%	--	--	--	--	--	--

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

**TOLAR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

**Budget**

The official budget was prepared for adoption for all Governmental Fund Types required to adopt a budget (General Funds, Food Service Funds, and Debt Service Funds). The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

**Defined Benefit Pension Plan and Defined Benefit OPEB Plan**

*Changes of benefit terms*

Any changes of benefit terms that affected the measurement of the net pension liability during the measurement period are described in the notes to the financial statements (Note H).

Any change of benefit terms that affected the measurement of the net OPEB liability during the measurement period are described in the notes to the financial statements (Note I).

*Changes of assumptions*

Changes of assumptions that affected the measurement of the net pension liability during the measurement period are described in the notes to the financial statements (Note H).

Changes of assumptions that affected the measurement of the net OPEB liability during the measurement period are described in the notes to the financial statements (Note I).

### *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

# **TOLAR INDEPENDENT SCHOOL DISTRICT**

## **SCHEDULE OF DELINQUENT TAXES RECEIVABLE FOR THE YEAR ENDED AUGUST 31, 2021**

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2012 and Prior Years	\$	Various	\$	Various	\$	Various
2013		1.04		.2919		216,509,222
2014		1.04		.4450		206,975,084
2015		1.04		.4600		201,094,333
2016		1.04		.4020		202,830,513
2017		1.04		.4012		209,447,821
2018		1.04		.4002		218,059,853
2019		1.04		.3500		266,396,259
2020		.97		.3100		293,505,000
2021 (School Year Under Audit)		.96		.3100		297,876,378

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

Column 20, Current Year's Total Levy is ending levy due provided by Hood County Appraisal District.

Column 3, Assessed/Appraised Value for School Tax Purposes is calculated based on current year total levy divided by current year total tax rate. This amount includes adjustments for frozen values.

EXHIBIT J-1

10 Beginning Balance 9/1/20	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/21
\$ 14,913	\$ --	\$ 3,756	\$ 1,048	\$ (1,539)	\$ 8,570
13,980	--	2,080	584	(8,648)	2,668
15,958	--	2,358	1,009	(9,287)	3,304
19,166	--	2,816	1,245	(8,848)	6,257
20,212	--	2,658	1,027	(7,985)	8,542
20,018	--	3,759	1,450	(7,663)	7,146
33,284	--	4,713	1,814	(13,715)	13,042
43,062	--	7,669	2,581	(12,190)	20,622
537,244	--	263,838	84,319	(1,677)	187,410
--	3,783,030	2,656,480	857,822	(11,653)	257,075
<u>\$ 717,837</u>	<u>\$ 3,783,030</u>	<u>\$ 2,950,127</u>	<u>\$ 952,899</u>	<u>\$ (83,205)</u>	<u>\$ 514,636</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

**TOLAR INDEPENDENT SCHOOL DISTRICT****EXHIBIT J-5****FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)****GENERAL FUND****AS OF AUGUST 31, 2021**

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2021 (Exhibit C-1 object 3000 for the General Fund only)	\$ 3,314,925
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	83,935
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	--
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	--
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	--
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	632,942
7	Estimate of two months' average cash disbursements during the fiscal year	1,265,884
8	Estimate of delayed payments from state sources (58XX)	163,125
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
10	Estimate of delayed payments from federal sources (59XX)	--
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	2,145,886
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ 1,169,039

**TOLAR INDEPENDENT SCHOOL DISTRICT**

USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM  
AS OF AUGUST 31, 2021

Data Control Codes		Responses
<b><u>Section A: Compensatory Education Programs</u></b>		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 427,581
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30, 34)	\$ 472,218
<b><u>Section B: Bilingual Education Programs</u></b>		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 2,481
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 1,812



**TOLAR INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

**EXHIBIT J-2**

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	<b>REVENUES:</b>			
5700	<i>Local and Intermediate Sources</i>	\$ 137,927	\$ 79,606	\$ (58,321)
5800	<i>State Program Revenues</i>	13,300	13,191	(109)
5900	<i>Federal Program Revenues</i>	163,000	216,720	53,720
5020	Total Revenues	314,227	309,517	(4,710)
	<b>EXPENDITURES:</b>			
	Current:			
	Support Services - Student (Pupil):			
0035	<i>Food Services</i>	320,227	345,568	(25,341)
	Total Support Services - Student (Pupil)	320,227	345,568	(25,341)
6030	Total Expenditures	320,227	345,568	(25,341)
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(6,000)	(36,051)	(30,051)
	Other Financing Sources (Uses):			
7915	<i>Transfers In</i>	76,000	36,051	(39,949)
7080	Total Other Financing Sources and (Uses)	76,000	36,051	(39,949)
1200	Net Change in Fund Balance	70,000	--	(70,000)
0100	Fund Balance - Beginning	--	--	--
3000	Fund Balance - Ending	\$ 70,000	\$ --	\$ (70,000)

# TOLAR INDEPENDENT SCHOOL DISTRICT

DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT J-3

Data Control Codes	1  Budget	2  Actual	3 Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 669,617	\$ 1,027,655	\$ 358,038
5800 <i>State Program Revenues</i>	543	9,302	8,759
5020 <i>Total Revenues</i>	<u>670,160</u>	<u>1,036,957</u>	<u>366,797</u>
<b>EXPENDITURES:</b>			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	200,640	200,640	--
0072 <i>Interest on Long-Term Debt</i>	376,378	376,156	222
0073 <i>Bond Issuance Costs and Fees</i>	186,986	186,985	1
<i>Total Debt Service</i>	<u>764,004</u>	<u>763,781</u>	<u>223</u>
6030 <i>Total Expenditures</i>	<u>764,004</u>	<u>763,781</u>	<u>223</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	<u>(93,844)</u>	<u>273,176</u>	<u>367,020</u>
Other Financing Sources (Uses):			
7911 <i>Debt Issued - Refunding Bonds</i>	8,127,162	8,127,161	(1)
7916 <i>Premium or Discount on Issuance of Bonds</i>	1,936,339	1,936,339	--
8949 <i>Other Uses - Payment to Refunded Bond Escrow Agent</i>	(9,968,497)	(9,968,496)	1
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>95,004</u>	<u>95,004</u>	<u>--</u>
1200 <i>Net Change in Fund Balance</i>	<u>1,160</u>	<u>368,180</u>	<u>367,020</u>
0100 <i>Fund Balance - Beginning</i>	<u>470,237</u>	<u>470,237</u>	<u>--</u>
3000 <i>Fund Balance - Ending</i>	<u>\$ 471,397</u>	<u>\$ 838,417</u>	<u>\$ 367,020</u>



## SNOW GARRETT WILLIAMS

CERTIFIED PUBLIC ACCOUNTANTS

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  
Tolar Independent School District  
P.O. Box 368  
Tolar, Texas 76476

Members of the Board of Trustees:

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tolar Independent School District, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise Tolar Independent School District's basic financial statements, and have issued our report thereon dated December 13, 2021.

### **Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

We noted certain matters that we reported to management of Tolar Independent School District in a separate letter dated December 13, 2021.

## **Purpose of this Report**

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

Respectfully submitted,

A handwritten signature in black ink that reads "Snow Garrett Williams". The signature is written in a cursive, flowing style.

Snow Garrett Williams  
December 13, 2021



# SNOW GARRETT WILLIAMS

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees  
Tolar Independent School District  
P.O. Box 368  
Tolar, Texas 76476

Members of the Board of Trustees:

### **Report on Compliance for Each Major Federal Program**

We have audited the Tolar Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Tolar Independent School District's major federal program for the year ended August 31, 2021. Tolar Independent School District's major federal program is 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 Tolar Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Tolar Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

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

## Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as as described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a significant deficiency.

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

Respectfully submitted,



Snow Garrett Williams  
December 13, 2021

**TOLAR INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

**A. Summary of Auditor's Results**

**1. Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?        Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None Reported

Noncompliance material to financial statements noted?        Yes   X   No

**2. Federal Awards**

Internal control over major programs:

One or more material weaknesses identified?        Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?   X   Yes        None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Version of compliance supplement used in audit: July 2021 and October 2021 Addendum

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?        Yes   X   No

Identification of major programs:

<u>ALN(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425D, 84.425U	Elementary and Secondary School Emergency Relief Fund (ESSER)
84.027	Special Education Cluster

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

Auditee qualified as low-risk auditee?        Yes   X   No

**B. Financial Statement Findings**

NONE



**TOLAR INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

C. Federal Award Findings and Questioned Costs

Finding 2021-001- Maintenance of Effort- Significant Deficiency in Controls Over Compliance

Program Information: ALN: 84.027, Special Education Cluster (IDEA)  
Federal Agency: U.S. Department of Education  
Federal Award Identification Number (FAIN): H027A200008  
Federal Award Year: 2021  
Pass-Through Entity: Glen Rose Independent School District

Criteria: Funds provided to an local education agency (LEA) under IDEA, Part B must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceeding fiscal year. An LEA meets this standard if it does not reduce the level of expendituers for the education of children with disabilities made by the LEA from at least one of the following sources below the level of those expenditures from the same source for the preceeding fiscal year, except as provided in 34 CFR sections 300.204 and 300.205: (i) local funds only; (ii) the combination of state and local funds; (iii) local funds only on a per capita basis; or (iv) the combination of state and local funds on a per capita basis.

Condition: As part of the single audit procedures performed over the maintenance of effort compliance requirements, we examined the District's calculation of maintenance of effort for IDEA, Part B for 2020-2021 using the template provided by the Texas Education Agency (TEA). Upon examining the template, we determined inaccurate information was used in the District's maintenance of effort calculation. While this ultimately did not cause noncompliance with the requirement, it is indicative of a significant deficiency in internal controls over compliance with the maintenance of effort requirement for IDEA, Part B.

Recommendation: The District should improve the design and implementation of controls over the maintenance of effort compliance requirement for IDEA, Part B, including the accuracy of recording local and state special education expenditures used in the calculation of maintenance of effort and monitoring compliance with the requirement throughout the year, to avoid a potential liability in the future if effort is not met.

Questioned Costs: \$0

Repeat Finding: No

Sampling was Statistically Valid: No

Views of Responsible Official: The District is in agreement with the finding reported and is in the process of enhancing controls over the maintenance of effort requirement for IDEA, Part B to ensure compliance.



**TOLAR INDEPENDENT SCHOOL DISTRICT**  
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS*  
*FOR THE YEAR ENDED AUGUST 31, 2021*

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no audit findings in the prior year.		



**Tolar Independent School District**

305 S. Oak  
PO Box 368  
Tolar, TX 76476  
Phone: (254) 835-4718  
Fax: (254) 835-4704



**Central Administration**

Superintendent- Travis Stilwell  
Business Manager-Vicki Carr  
Superintendent's Secretary-Christine Murphy

**Campus Administration**

Tolar High School - Jason Lawson  
Tolar Junior High - Jerrod Tidwell  
Tolar Elementary - Christal Hollinger

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2021-001- Maintenance of Effort- Significant Deficiency in Controls Over Compliance

Responsible Party: Business Manager and Superintendent

Corrective Action Plan: The District will enhance existing controls over maintenance of effort for IDEA, Part B to include a secondary review of the maintenance of effort template, prepared by the Business Manager, by the Superintendent who is knowledgeable of the compliance requirements for IDEA, Part B, including a review of the supporting underlying documentation used in the calculation to ensure compliance.

Planned Completion Date: August 31, 2022

**TOLAR INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

**EXHIBIT K-1**  
Page 1 of 2

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN	Pass- Through Entity Identifying Number	Federal Expenditures
<b>CHILD NUTRITION CLUSTER:</b>			
U. S. Department of Agriculture			
Passed Through State Department of Agriculture:			
Commodity Supplemental Food Program (Non-Cash)	10.555	806780706	\$ 18,289
School Programs Emergency Operational Cost Reimbursement Program	10.555	806780706	468
Total ALN 10.555			<u>18,757</u>
Total Passed Through State Department of Agriculture			<u>18,757</u>
Passed Through State Department of Education:			
School Breakfast Program	10.553	71402101	62,056
National School Lunch Program	10.555	71302101	129,883
Total Passed Through State Department of Education			<u>191,939</u>
Total U. S. Department of Agriculture			<u>210,696</u>
Total Child Nutrition Cluster			<u>210,696</u>
<b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>			
U. S. Department of Education			
Passed Through Glen Rose Independent School District:			
IDEA-Part B, Discretionary	84.027	216600122139016677	<u>194,657</u>
Total U. S. Department of Education			<u>194,657</u>
Total Special Education (IDEA) Cluster			<u>194,657</u>
<b>OTHER PROGRAMS:</b>			
U. S. Department of Agriculture			
Passed Through State Department of Agriculture:			
State Administrative Expenses for Child Nutrition Programs	10.560	806780706	2,024
Fresh Fruit and Vegetable Program	10.582	806780706	4,000
Total Passed Through State Department of Agriculture			<u>6,024</u>
Total U. S. Department of Agriculture			<u>6,024</u>
U.S. Department of Treasury			
Passed Through State Department of Education			
Coronavirus Relief Fund (CRF-COVID19)-PPRP	21.019	52202003	20,395
Coronavirus Relief Fund (CRF-COVID19)-Bulk Purchase Program (Base Match)- (Noncash)	21.019	52202003	11,400
Total ALN 21.019			<u>31,795</u>
Total Passed Through State Department of Education			<u>31,795</u>
Total U. S. Department of Treasury			<u>31,795</u>
U. S. Department of Education			
Passed Through Education Service Center Region XI:			
Career and Technical Education - Basic Grant	84.048	111-903	3,705
Total Passed Through Education Service Center Region XI			<u>3,705</u>
Passed Through State Department of Education:			
Title IV, Part A, Subpart I	84.424A	21680101111903	10,000
ESEA Title I Part A - Improving Basic Programs	84.010A	22610101111903	7,127

**TOLAR INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

**EXHIBIT K-1**  
Page 2 of 2

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN	Pass- Through Entity Identifying Number	Federal Expenditures
ESEA Title I Part A - Improving Basic Programs	84.010A	21610101111903	100,739
Total ALN 84.010A			<u>107,866</u>
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	21694501111903	17,119
Elementary and Secondary School Emergency Relief Fund (ESSER I-COVID19)	84.425D	20521001111903	76,994
Elementary and Secondary School Emergency Relief Fund (ESSER II-COVID19)	84.425D	21521001111903	164,840
Total ALN 84.425D			<u>241,834</u>
Elementary and Secondary School Emergency Relief Fund (ESSER III-COVID19)	84.425U	21528001111903	82,265
Total ALN 84.425			<u>324,099</u>
Total Passed Through State Department of Education			<u>459,084</u>
Total U. S. Department of Education			<u>462,789</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 905,961</u>

The accompanying notes are an integral part of this schedule.

**TOLAR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

Basis of Presentation

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

Summary of Significant Accounting Policies

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

Tolar Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**TOLAR INDEPENDENT SCHOOL DISTRICT****SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2021**

<u>Data Control Codes</u>		<u>Responses</u>
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warranty hold was issued, the school district is considered <b>to not have made</b> timely payments.)  Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.  Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year-end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ 1,941,575

