

TOLAR INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2020

Tolar Independent School District
Annual Financial Report
For The Year Ended August 31, 2020

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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, 2020, at a meeting of the board of trustees of such school district on the 22 day of October, 2020.


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 Financial Statements

We have audited the accompanying 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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 other supplementary information, except for Exhibit J-2, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and Exhibit J-2 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 October 16, 2020 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 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
October 16, 2020

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, 2020. 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 \$1,247,205 (*net position*). Of this amount, (\$3,652,051) (*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 \$2,470,054. Approximately 65 percent of this total amount, \$1,599,817, 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 \$1,599,817, or 20% 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, proprietary funds, and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a 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.
- **Proprietary funds.** *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. As mentioned above in the government-wide definition, the District has no *business-type activities* or *enterprise funds*. The second type of proprietary fund is the *internal service fund*. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the *internal service fund* to report activities for its self-funded insurance program. The basic proprietary fund financial statements can be found on pages 20-22 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. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net position that can be found on page 23.

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 24-46 of this report.

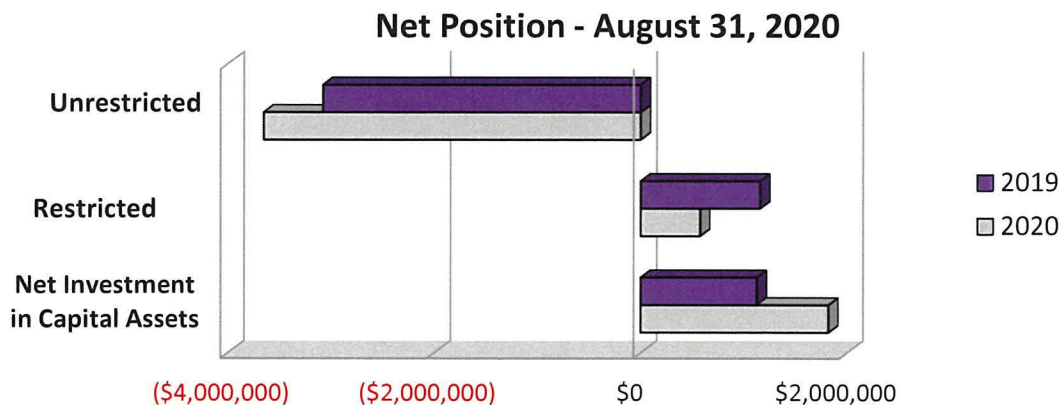
Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 47-53 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 \$1,247,205 as of August 31, 2020.

The District's Net Position

	<u>August 31, 2020</u>	<u>August 31, 2019</u>
Current and other assets	\$ 3,567,395	\$ 4,032,073
Capital assets	12,436,631	12,832,545
Total assets	<u>16,004,026</u>	<u>16,864,618</u>
Deferred outflows of resources		
Deferred outflow related to pensions	979,110	1,167,982
Deferred outflow related to OPEB	886,947	860,876
Total deferred outflows of resources	<u>1,866,057</u>	<u>2,028,858</u>
Long-term liabilities outstanding	935,908	806,019
Other liabilities	16,666,964	17,827,722
Total liabilities	<u>17,602,872</u>	<u>18,633,741</u>
Deferred inflows of resources		
Deferred inflow related to pensions	322,985	124,769
Deferred inflow related to OPEB	1,191,431	915,629
Total deferred inflows of resources	<u>1,514,416</u>	<u>1,040,398</u>
Net position:		
Net Investment in capital assets	1,824,947	1,132,491
Restricted	579,899	1,164,455
Unrestricted	(3,652,051)	(3,077,609)
Total net position	<u>\$ (1,247,205)</u>	<u>\$ (780,663)</u>



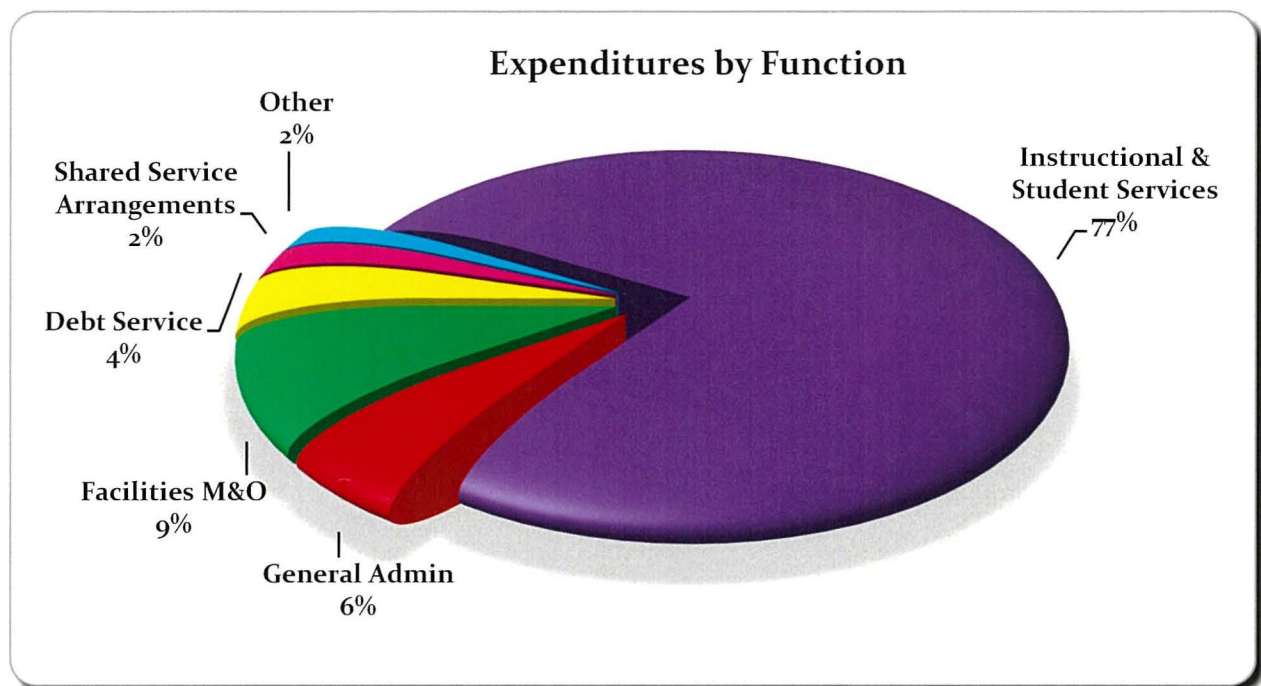
Investment in capital assets (e.g., land, buildings, furniture and equipment) is \$1,824,947. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported 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 (\$579,899) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (-\$3,652,051) 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 decreased by \$466,542. This decrease is due to a decrease in property tax revenue as well an increase in payroll expenses as a result of House Bill 3. The total cost of all *governmental activities* this year was \$10,231,385. The amount that our taxpayers paid for these activities through property taxes was \$3,595,164 or 35%.

Changes in the District's Net Position

	<u>August 31, 2020</u>	<u>August 31, 2019</u>
Revenues:		
Program revenues:		
Charges for services	\$ 147,525	\$ 191,384
Operating grants & contributions	1,398,066	1,042,583
General revenues:		
Property taxes	3,595,164	3,732,406
Grants and contributions	4,585,906	4,229,613
Other	38,182	53,187
Total revenues	<u>9,764,843</u>	<u>9,249,173</u>
Expenses:		
Instruction	5,914,502	4,862,277
Instructional resources & media services	48,339	46,071
Curriculum & staff development	6,800	9,732
School leadership	618,750	578,903
Guidance, counseling & evaluation services	264,850	229,639
Health services	109,451	96,694
Student transportation	143,694	133,326
Food services	352,003	357,769
Co-curricular/extracurricular activities	387,058	412,009
General administration	576,634	532,583
Facilities maintenance & operations	968,316	835,003
Security and monitoring services	8,889	13,855
Data processing services	135,374	96,125
Community services	34,125	32,103
Debt service-interest on long-term debt	432,192	401,232
Debt service-bond issuance costs and fees	1,952	1,340
Capital outlay	-	7,141
Payments to shared service arrangements	228,456	234,787
Total expenses	<u>10,231,385</u>	<u>8,880,589</u>
Increase/(Decrease) in net position	(466,542)	368,584
Beginning net position	(780,663)	(1,149,247)
Ending net position	<u>\$ (1,247,205)</u>	<u>\$ (780,663)</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 \$2,470,054, a decrease of \$1,104,392. \$1,599,817 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:

- Restricted to pay:
 - debt service (\$470,237)
- Committed to pay for:
 - construction (\$250,000)
 - capital expenditures for equipment (\$150,000)

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 \$1,599,817 or 20% of the total general fund expenditures.

The fund balance of the District's general fund decreased \$438,098 during the current fiscal year. This decrease is due to a bankruptcy filing by one of the District's largest taxpayers (Vista sand plant), and an increase in payroll expenditures.

The debt service fund has a total fund balance of \$470,237, all of which is restricted for the payment of debt service. The net decrease in fund balance during the period in the debt service was \$666,294 due to the early redemption of the Series 2010 Bonds at the opinion of the District.

Proprietary funds. As mentioned earlier, the District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The internal service fund had unrestricted net position as of August 31, 2020 of \$69,156. The total decrease in net position was \$9,854.

General Fund Budgetary Highlights

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

- Actual revenues were lower than budgeted by \$276,385, primarily related to local sources and state program revenues; and
- Actual expenditures were \$1,397,463 lower than budgeted primarily due to capital outlay and instruction.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of August 31, 2020 amounts to \$12,325,153 (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, 2020	August 31, 2019
Land	\$ 1,035,749	\$ 1,035,749
Buildings and improvements	10,714,970	11,164,593
Furniture and equipment	574,434	632,203
Construction in Progress	111,478	-
Total at historical cost	<u>\$ 12,325,153</u>	<u>\$ 12,832,545</u>

Additional information on the District's capital assets can be found in Note C on page 31 of this report.

Long-term Debt. As of August 31, 2020, the District had total general obligation bonded debt outstanding of \$9,007,813, a decrease of \$955,755 over the prior year. Unamortized premium balance at August 31, 2020 was \$1,228,629, a decrease of \$91,812 from the prior year. The District's accumulated accretion on CAB's decreased by \$17,030, resulting in ending accumulated accretion of \$1,624,736. The District also had noted from direct borrowings outstanding of \$375,242, which is a decrease from the prior year of \$40,803. The net pension liability for fiscal year 2020 had an ending balance of \$1,919,225, a decrease of \$102,727 from the prior year. And finally, the net OPEB liability for fiscal year 2020 had an ending balance of \$2,754,023, which is a decrease of \$141,484 from the prior year.

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 \$29,350,500.

Additional information on the District's long-term debt can be found in Note E on pages 32-33 of this report.

Economic Factors and Next Year's Budgets and Rates

- Current 2020-2021 enrollment is approximately 801.
- 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 2020-2021 General Fund budget which total \$8,004,728 and \$8,004,728, respectively.

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.

- In preparation of remote learning and keeping students safe caused by the Covid-19 Pandemic the 2020-21 budget significantly increased from prior year. Increases are primarily related to Instructional Supplies, Instructional Payroll and Health Services.

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, 2020

Data Control Codes		1	Governmental Activities
ASSETS:			
1110	Cash and Cash Equivalents	\$	2,772,235
1225	Property Taxes Receivable (Net)		440,279
1240	Due from Other Governments		270,035
1290	Other Receivables (Net)		9,051
1410	Unrealized Expenses		75,795
Capital Assets:			
1510	Land		1,035,749
1520	Buildings and Improvements, Net		10,714,970
1530	Furniture and Equipment, Net		574,434
1580	Construction in Progress		111,478
1000	Total Assets		<u>16,004,026</u>
DEFERRED OUTFLOWS OF RESOURCES:			
	Deferred Outflow Related to Pensions		979,110
	Deferred Outflow Related to OPEB		886,947
1700	Total Deferred Outflows of Resources		<u>1,866,057</u>
LIABILITIES:			
2110	Accounts Payable		61,265
2120	Short-Term Debt Payable		42,064
2140	Interest Payable		105,298
2165	Accrued Liabilities		404,556
2300	Unearned Revenue		122,085
Noncurrent Liabilities:			
2501	Due Within One Year		200,640
2502	Due in More Than One Year		11,993,716
2540	Net Pension Liability		1,919,225
2545	Net OPEB Liability		2,754,023
2000	Total Liabilities		<u>17,602,872</u>
DEFERRED INFLOWS OF RESOURCES:			
	Deferred Inflow Related to Pensions		322,985
	Deferred Inflow Related to OPEB		1,191,431
2600	Total Deferred Inflows of Resources		<u>1,514,416</u>
NET POSITION:			
3200	Net Investment in Capital Assets		1,824,947
Restricted For:			
3850	Debt Service		579,899
3900	Unrestricted		(3,652,051)
3000	Total Net Position	\$	<u>(1,247,205)</u>

The accompanying notes are an integral part of this statement.

TOLAR INDEPENDENT SCHOOL DISTRICT**STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED AUGUST 31, 2020

		1	3	4	Net (Expense) Revenue and Changes in Net Position
			Program Revenues		
Data Control Codes	Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 5,914,502	\$ 30,820	\$ 859,534	\$ (5,024,148)
12	Instructional Resources and Media Services	48,339	--	3,541	(44,798)
13	Curriculum and Staff Development	6,800	--	461	(6,339)
23	School Leadership	618,750	--	49,878	(568,872)
31	Guidance, Counseling, & Evaluation Services	264,850	--	71,897	(192,953)
33	Health Services	109,451	--	8,566	(100,885)
34	Student Transportation	143,694	--	9,166	(134,528)
35	Food Service	352,003	87,775	197,629	(66,599)
36	Cocurricular/Extracurricular Activities	387,058	--	27,753	(359,305)
41	General Administration	576,634	--	41,318	(535,316)
51	Facilities Maintenance and Operations	968,316	1,900	59,807	(906,609)
52	Security and Monitoring Services	8,889	--	2,407	(6,482)
53	Data Processing Services	135,374	--	8,789	(126,585)
61	Community Services	34,125	27,030	2,783	(4,312)
72	Interest on Long-term Debt	432,192	--	24,640	(407,552)
73	Bond Issuance Costs and Fees	1,952	--	--	(1,952)
81	Capital Outlay	--	--	17,551	17,551
93	Payments Related to Shared Services Arrangements	228,456	--	12,346	(216,110)
TG	Total Governmental Activities	10,231,385	147,525	1,398,066	(8,685,794)
TP	Total Primary Government	\$ 10,231,385	\$ 147,525	\$ 1,398,066	(8,685,794)
General Revenues:					
MT	Property Taxes, Levied for General Purposes				2,726,354
DT	Property Taxes, Levied for Debt Service				868,810
IE	Investment Earnings				6,168
GC	Grants and Contributions Not Restricted to Specific Programs				4,585,906
MI	Miscellaneous				32,014
TR	Total General Revenues				8,219,252
CN	Change in Net Position				(466,542)
NB	Net Position - Beginning				(780,663)
NE	Net Position - Ending				\$ (1,247,205)

The accompanying notes are an integral part of this statement.

TOLAR INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2020

Data Control Codes	10	
	General Fund	IDEA-B Discretionary
ASSETS:		
1110 Cash and Cash Equivalents	\$ 2,187,698	\$ --
1225 Taxes Receivable	539,341	--
1230 Allowance for Uncollectible Taxes (Credit)	(208,724)	--
1240 Due from Other Governments	39,454	168,201
1260 Due from Other Funds	224,187	--
1290 Other Receivables	6,857	--
1410 Unrealized Expenditures	75,795	--
1000 Total Assets	<u>\$ 2,864,608</u>	<u>\$ 168,201</u>
LIABILITIES:		
Current Liabilities:		
2110 Accounts Payable	\$ 25,489	\$ --
2160 Accrued Wages Payable	379,349	--
2170 Due to Other Funds	--	168,201
2200 Accrued Expenditures	8,279	--
2300 Unearned Revenue	121,057	--
2000 Total Liabilities	<u>534,174</u>	<u>168,201</u>
DEFERRED INFLOWS OF RESOURCES:		
Property Taxes		
	<u>330,617</u>	<u>--</u>
2600 Total Deferred Inflows of Resources	<u>330,617</u>	<u>--</u>
FUND BALANCES:		
Restricted Fund Balances:		
3480 Retirement of Long-Term Debt	--	--
Committed Fund Balances:		
3510 Construction	250,000	--
3530 Capital Expenditures for Equipment	150,000	--
3600 Unassigned	1,599,817	--
3000 Total Fund Balances	<u>1,999,817</u>	<u>--</u>
Total Liabilities, Deferred Inflow		
4000 of Resources and Fund Balances	<u>\$ 2,864,608</u>	<u>\$ 168,201</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
\$ 469,071	\$ 15,055	\$ 2,671,824
178,496	--	717,837
(68,834)	--	(277,558)
--	62,380	270,035
--	--	224,187
2,194	--	9,051
--	--	75,795
<u>\$ 580,927</u>	<u>\$ 77,435</u>	<u>\$ 3,691,171</u>
\$ --	\$ 4,521	\$ 30,010
--	15,969	395,318
--	55,986	224,187
--	959	9,238
1,028	--	122,085
<u>1,028</u>	<u>77,435</u>	<u>780,838</u>
109,662	--	440,279
<u>109,662</u>	<u>--</u>	<u>440,279</u>
470,237	--	470,237
--	--	250,000
--	--	150,000
--	--	1,599,817
<u>470,237</u>	<u>--</u>	<u>2,470,054</u>
<u>\$ 580,927</u>	<u>\$ 77,435</u>	<u>\$ 3,691,171</u>

TOLAR INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2020*

Total fund balances - governmental funds balance sheet	\$ 2,470,054
Amounts reported for governmental activities in the Statement of Net Position ("SNA") are different because:	
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	440,279
Capital assets used in governmental activities are not reported in the funds.	12,436,631
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	69,156
Deferred Resource Outflows related to the pension plan are not reported in the funds.	979,110
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	886,947
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(1,919,225)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(2,754,023)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(322,985)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(1,191,431)
Payables for bond principal which are not due in the current period are not reported in the funds.	(9,007,813)
Payables for notes which are not due in the current period are not reported in the funds.	(375,242)
Payables for bond interest which are not due in the current period are not reported in the funds.	(105,298)
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(1,624,736)
Premiums on bonds which are not due and payable in the current period are not reported in the funds.	(1,228,629)
Net position of governmental activities - Statement of Net Position	\$ <u>(1,247,205)</u>

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, 2020

Data Control Codes	10	
	General Fund	IDEA-B Discretionary
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ 2,566,069	\$ --
5800 <i>State Program Revenues</i>	4,967,980	--
5900 <i>Federal Program Revenues</i>	49,774	168,201
5020 Total Revenues	<u>7,583,823</u>	<u>168,201</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	4,566,581	164,165
0012 <i>Instructional Resources and Media Services</i>	41,131	--
0013 <i>Curriculum and Staff Development</i>	5,857	--
0023 <i>School Leadership</i>	514,438	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	165,025	--
0033 <i>Health Services</i>	91,619	--
0034 <i>Student Transportation</i>	125,725	--
0035 <i>Food Service</i>	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	330,624	--
0041 <i>General Administration</i>	492,675	--
0051 <i>Facilities Maintenance and Operations</i>	914,350	--
0052 <i>Security and Monitoring Services</i>	3,066	--
0053 <i>Data Processing Services</i>	117,977	--
0061 <i>Community Services</i>	28,601	--
0071 <i>Principal on Long-term Debt</i>	40,803	--
0072 <i>Interest on Long-term Debt</i>	12,856	--
0073 <i>Bond Issuance Costs and Fees</i>	--	--
0081 <i>Capital Outlay</i>	324,480	--
0093 <i>Payments to Shared Service Arrangements</i>	228,456	--
6030 Total Expenditures	<u>8,004,264</u>	<u>164,165</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>(420,441)</u>	<u>4,036</u>
Other Financing Sources and (Uses):		
7912 <i>Sale of Real or Personal Property</i>	1,250	--
7915 <i>Transfers In</i>	4,036	--
8911 <i>Transfers Out</i>	(22,943)	(4,036)
7080 Total Other Financing Sources and (Uses)	<u>(17,657)</u>	<u>(4,036)</u>
1200 Net Change in Fund Balances	<u>(438,098)</u>	--
0100 Fund Balances - Beginning	<u>2,437,915</u>	--
3000 Fund Balances - Ending	<u>\$ 1,999,817</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 789,023	\$ 87,775	\$ 3,442,867
24,640	184,179	5,176,799
--	323,074	541,049
<u>813,663</u>	<u>595,028</u>	<u>9,160,715</u>
--	267,411	4,998,157
--	--	41,131
--	--	5,857
--	--	514,438
--	52,272	217,297
--	--	91,619
--	--	125,725
--	298,288	298,288
--	--	330,624
--	--	492,675
--	--	914,350
--	--	3,066
--	--	117,977
--	--	28,601
955,755	--	996,558
522,250	--	535,106
1,952	--	1,952
--	--	324,480
--	--	228,456
<u>1,479,957</u>	<u>617,971</u>	<u>10,266,357</u>
<u>(666,294)</u>	<u>(22,943)</u>	<u>(1,105,642)</u>
--	--	1,250
--	22,943	26,979
--	--	(26,979)
--	22,943	1,250
<u>(666,294)</u>	<u>--</u>	<u>(1,104,392)</u>
1,136,531	--	3,574,446
<u>\$ 470,237</u>	<u>\$ --</u>	<u>\$ 2,470,054</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, 2020*

Net change in fund balances - total governmental funds \$ (1,104,392)

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.	336,754
Capital outlays are not reported as expenses in the SOA.	393,861
The depreciation of capital assets used in governmental activities is not reported in the funds.	(789,775)
The gain or loss on the sale of capital assets is not reported in the funds.	1,250
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(1,250)
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.	130,398
Pension contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction to NPL.	(128,364)
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.	(286,395)
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.	44,265
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.	(40,789)
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.	(111,723)
The net revenue (expense) of internal service funds is reported with governmental activities.	(9,854)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	955,755
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	40,803
(Increase) decrease in accrued interest from beginning of period to end of period.	(5,928)
The accretion of interest on capital appreciation bonds is not reported in the funds.	17,030
Premiums on bonds are amortized in the SOA but not in the funds.	91,812

Change in net position of governmental activities - Statement of Activities \$ (466,542)

The accompanying notes are an integral part of this statement.

TOLAR INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET POSITION****INTERNAL SERVICE FUND****AUGUST 31, 2020**

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
ASSETS:		
Current Assets:		
1110	<i>Cash and Cash Equivalents</i>	\$ 100,411
	Total Current Assets	100,411
1000	Total Assets	100,411
LIABILITIES:		
Current Liabilities:		
2110	<i>Accounts Payable</i>	31,255
	Total Current Liabilities	31,255
2000	Total Liabilities	31,255
NET POSITION:		
3900	<i>Unrestricted</i>	69,156
3000	Total Net Position	\$ 69,156

The accompanying notes are an integral part of this statement.

TOLAR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - INTERNAL SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2020

		Nonmajor Internal Service Fund
Data Control Codes		Insurance Fund
OPERATING REVENUES:		
5700	<i>Local and Intermediate Sources</i>	\$ 157
5020	Total Revenues	157
OPERATING EXPENSES:		
6400	<i>Other Operating Costs</i>	10,011
6030	Total Expenses	10,011
1300	Change in Net Position	(9,854)
0100	Total Net Position - Beginning	79,010
3300	Total Net Position - Ending	\$ 69,156

The accompanying notes are an integral part of this statement.

TOLAR INDEPENDENT SCHOOL DISTRICT**STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS****FOR THE YEAR ENDED AUGUST 31, 2020**

	Internal Service Funds
	<u> </u>
Cash Flows from Operating Activities:	
<i>Other Operating Cash Receipts</i>	\$ 157
<i>Cash Payments to Other Suppliers for Goods and Services</i>	<u> (9,557)</u>
Net Cash Provided (Used) by Operating Activities	<u> (9,400)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 (9,400)
Cash and Cash Equivalents at Beginning of Year	<u>109,811</u>
Cash and Cash Equivalents at End of Year	<u>\$ 100,411</u>
 Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income (Loss)	\$ (9,854)
Change in Assets and Liabilities:	
<i>Increase (Decrease) in Accounts Payable</i>	<u> 454</u>
Total Adjustments	<u> 454</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (9,400)</u>

The accompanying notes are an integral part of this statement.

TOLAR INDEPENDENT SCHOOL DISTRICT*STATEMENT OF FIDUCIARY NET POSITION**FIDUCIARY FUNDS**AUGUST 31, 2020*

<u>Data Control Codes</u>		<u>Agency Fund</u>
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ <u>77,803</u>
1000	Total Assets	<u>77,803</u>
LIABILITIES:		
Current Liabilities:		
2190	<i>Due to Student Groups</i>	<u>77,803</u>
2000	Total Liabilities	<u>77,803</u>
NET POSITION:		
3000	Total Net Position	\$ <u><u>--</u></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, 2020

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 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 funds, each displayed in a separate column. All remaining governmental 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.

IDEA-B Discretionary Fund: This fund is used to account for funds granted to assist the District in addressing the needs of high-need children with disabilities.

TOLAR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency 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, Proprietary, 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. 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.

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.

TOLAR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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>
Building and Improvements	7-30
Equipment	5-10

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.

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.

TOLAR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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, 2020

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, 2020

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.

B. 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, 2020, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,850,039 and the bank balance was \$2,894,466. The District's cash deposits at August 31, 2020 were covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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, 2020.

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3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was 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.

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.

TOLAR INDEPENDENT SCHOOL DISTRICT
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C. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Construction in Progress	\$ --	\$ 111,478	\$ --	\$ 111,478
Land	1,035,749	--	--	1,035,749
Total capital assets not being depreciated	1,035,749	111,478	--	1,147,227
<i>Capital assets being depreciated:</i>				
Buildings and improvements	18,864,450	187,933	--	19,052,383
Equipment	2,023,833	94,450	(82,131)	2,036,152
Total capital assets being depreciated	20,888,283	282,383	(82,131)	21,088,535
Less accumulated depreciation for:				
Buildings and improvements	(7,699,857)	(637,556)	--	(8,337,413)
Equipment	(1,391,630)	(152,219)	82,131	(1,461,718)
Total accumulated depreciation	(9,091,487)	(789,775)	82,131	(9,799,131)
Total capital assets being depreciated, net	11,796,796	(507,392)	--	11,289,404
Governmental activities capital assets, net	\$ 12,832,545	\$ (395,914)	\$ --	\$ 12,436,631

Depreciation was charged to functions as follows:

Instruction	\$ 482,489
Instructional Resources and Media Services	3,971
Curriculum and Staff Development	566
School Leadership	49,670
Guidance, Counseling, & Evaluation Services	20,980
Health Services	8,846
Student Transportation	12,139
Food Services	28,800
Extracurricular Activities	31,922
General Administration	47,569
Plant Maintenance and Operations	88,375
Security and Monitoring Services	296
Data Processing Services	11,391
Community Services	2,761
	<u>\$ 789,775</u>

D. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2020, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Special Revenue Fund	\$ 224,187	For transfer of federal receipts
	Total	<u>\$ 224,187</u>	

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

TOLAR INDEPENDENT SCHOOL DISTRICT
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2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2020, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Special Revenue Fund	\$ 22,943	Supplement other fund sources
Special Revenue Fund	General Fund	4,036	Reimbursement for prior year eligible pre-award expenditures
	Total	<u>\$ 26,979</u>	

E. 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, 2020, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General Obligation Bonds	\$ 9,963,568	\$ --	\$ (955,755)	\$ 9,007,813	\$ 200,640
Accumulated Accretion	1,641,766	--	(17,030)	1,624,736	--
Premium (amortized)	1,320,441	--	(91,812)	1,228,629	--
Notes from Direct Borrowings	416,045	--	(40,803)	375,242	42,064
Net Pension Liability *	2,021,952	26,498	(129,225)	1,919,225	--
Net OPEB Liability *	2,895,507	--	(141,484)	2,754,023	--
Total governmental activities	<u>\$ 18,259,279</u>	<u>\$ 26,498</u>	<u>\$ (1,376,109)</u>	<u>\$ 16,909,668</u>	<u>\$ 242,704</u>

* 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

TOLAR INDEPENDENT SCHOOL DISTRICT
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2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2020, are as follows:

Year Ending August 31,	Governmental Activities				
	Bonds		Notes from Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2021	\$ 200,640	467,520	42,064	\$ 11,595	\$ 721,819
2022	202,878	469,628	43,363	10,295	726,164
2023	220,136	541,318	44,704	8,955	815,113
2024	211,329	544,023	46,085	7,574	809,011
2025	218,491	545,163	47,509	6,150	817,313
2026-2030	1,311,252	2,405,904	151,517	9,459	3,878,132
2031-2035	2,158,087	1,515,013	--	--	3,673,100
2036-2040	3,075,000	599,500	--	--	3,674,500
2041-2045	1,410,000	57,000	--	--	1,467,000
Totals	\$ 9,007,813	\$ 7,145,069	\$ 375,242	\$ 54,028	\$ 16,582,152

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

The Series 2011 UT Refunding Bonds are capital appreciation bonds and mature February 2032.

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

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

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, 2020.

F. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2020, as follows:

<u>Year Ending August 31,</u>	
2021	\$ 6,432
2022	1,516
Total Minimum Rentals	\$ <u>7,948</u>
Rental Expenditures in 2020	\$ <u>6,432</u>

TOLAR INDEPENDENT SCHOOL DISTRICT
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G. 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 fiscal year 2020, 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. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three years.

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, 2020, 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, 2019 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Workers' Compensation

The District has established a partially self-funded workers' compensation plan by participating in the Texas Educational Insurance Association. 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 \$14,941 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, 2020, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the fund as they become due.

Changes in the balances of claim liabilities during the past year are as follows:

	Year Ended 08/31/2020	Year Ended 08/31/2019
Unpaid claims, beginning of year	\$ 30,801	\$ 29,047
Incurred claims	10,006	6,437
Claim payments	(9,552)	(4,683)
Unpaid claims, end of fiscal year	<u>\$ 31,255</u>	<u>\$ 30,801</u>

Unemployment Compensation

During the year ended August 31, 2020, 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.

TOLAR INDEPENDENT SCHOOL DISTRICT
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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, 2020, the Fund anticipates that Tolar ISD has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2019, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

H. 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 work load 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

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

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

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

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% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

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

	<u>Contribution Rates</u>	
	2019	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%
District's 2020 Employer Contributions	\$ 130,398	
District's 2020 Member Contributions	\$ 384,554	
2019 NECE On-Behalf Contributions (state)	\$ 241,290	

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.

TOLAR INDEPENDENT SCHOOL DISTRICT
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- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

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

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

5. Actuarial Assumptions

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2019	2.63%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

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.

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

Asset Class	FY 2019 Target Allocation *	New Target Allocation **	Long-Term Expected Geometric Real Rate of Return ***
Global Equity			
USA	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	-	-
Private Equity	13.0%	14.0%	8.4%
Stable Value			
U.S. Treasuries ****	11.0%	16.0%	3.1%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Absolute Return	0.0%	0.0%	0.0%
Real Return			
Global Inflation Linked Bonds ****	3.0%	-	-
Real Estate	14.0%	15.0%	8.5%
Energy, Natural Resources & Infrastructure	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	8.0%	5.8%/6.5%*****
Leverage			
Cash	1.0%	2.0%	2.5%
Asset Allocation Leverage	-	-6.0%	2.7%
Expected Return	100.0%	100.0%	7.23%
<p>* Target allocations are based on the Strategic Asset Allocation as of FY2019</p> <p>** New allocations are based on the Strategic Asset Allocation to be implemented FY2020</p> <p>*** 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%</p> <p>**** New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds</p> <p>***** 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility</p>			

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
District's proportionate share of the net pension liability:	\$ 2,950,128	\$ 1,919,225	\$ 1,083,995

TOLAR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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8. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2020, the District reported a liability of \$1,919,225 for its proportionate share of the TRSs' 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	\$ 1,919,225
State's proportionate share that is associated with District	<u>3,583,751</u>
Total	<u>\$ 5,502,976</u>

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2018 through August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.003692%. which was an increase of 0.0000186% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation -

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

For the year ended August 31, 2020, the District recognized pension expense of \$562,957 and revenue of \$562,957 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 8,062	\$ 66,639
Changes in actuarial assumptions	595,438	246,063
Difference between projected and actual investment earnings	19,271	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	225,941	10,283
Contributions paid to TRS subsequent to the measurement date	130,398	--
Total	<u>\$ 979,110</u>	<u>\$ 322,985</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
2021	\$ 132,689
2022	\$ 109,820
2023	\$ 126,877
2024	\$ 125,032
2025	\$ 48,586
Thereafter	\$ (17,277)

I. 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 that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

2. OPEB Plan Fiduciary Net Position

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

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3. Benefits Provided

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

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

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

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

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.

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

Contribution Rates		
	2019	2020
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%

TOLAR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

District's 2020 Employer Contributions	\$ 44,265
District's 2020 Member Contributions	\$ 32,462
2019 NECE On-Behalf Contributions (state)	\$ 54,916

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

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

5. Actuarial Assumptions

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

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuations 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.

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on plan specific experience
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
Healthcare Trend Rates	7.5% to 10.25%
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. *
Ad Hoc Post-Employment Benefit Changes	None

* 25% of pre-65 retirees are assumed to discontinue coverage at age 65.

TOLAR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

6. Discount Rate

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

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

	1% Decrease in Discount Rate (1.63%)	Current Single Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District's proportionate share of net OPEB liability	\$ 3,324,989	\$ 2,754,023	\$ 2,307,355

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

At August 31, 2020, the District reported a liability of \$2,754,023 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	\$ 2,754,023
State's proportionate share that is associated with the District	<u>3,659,480</u>
Total	<u>\$ 6,413,503</u>

The Net OPEB liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The 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, 2018 thru August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net OPEB liability was 0.005824% which was an increase of 0.000025% from its proportion measured as of August 31, 2018.

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

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of net OPEB liability	\$ 2,246,635	\$ 2,754,023	\$ 3,433,689

TOLAR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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

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

- 2018 threshold of \$850 / \$2,292 were indexed annually by 2.30%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.
- Change of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

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

- Change 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, 2020, the District recognized OPEB expense of \$96,449 and revenue of \$96,449 for support provided by the State.

TOLAR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 135,108	\$ 450,667
Changes in actuarial assumptions	152,964	740,764
Differences between projected and actual investment earnings	297	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	554,313	--
Contributions paid to TRS subsequent to the measurement date	44,265	
Total	\$ 886,947	\$ 1,191,431

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
2021	\$ (73,440)
2022	\$ (73,440)
2023	\$ (73,538)
2024	\$ (73,593)
2025	\$ (73,578)
Thereafter	\$ 18,838

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 current fiscal year ended August 31, 2020 the subsidy payment received by TRS-Care on behalf of the District were \$21,697.

J. Employee Health Care Coverage

During the year ended August 31, 2020, 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.

TOLAR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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.

K. 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, 2020.

L. 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

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.

M. Subsequent Events

The District evaluated subsequent events through October 16, 2020, the date the financial statements were available to be issued and the following subsequent events were noted.

COVID-19 Pandemic

In March 2020, Governor Abbott declared a state wide disaster proclamation in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures include closing schools, canceling public events, limiting gathering sizes, and requiring people to stay home unless they are leaving for an essential function. In March, 2020, the Governor closed all public and private K-12 school buildings throughout the remainder of the 2019-20 school year. The school district, however, continued to operate; educating students using continuous learning models.

The District reopened for the 2020-2021 school year. The full extent of the financial impact on the school district is unknown at this time.

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, 2020

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	<i>Local and Intermediate Sources</i>	\$ 2,917,692	\$ 2,942,448	\$ 2,566,069	\$ (376,379)
5800	<i>State Program Revenues</i>	4,911,760	4,907,760	4,967,980	60,220
5900	<i>Federal Program Revenues</i>	14,500	10,000	49,774	39,774
5020	Total Revenues	7,843,952	7,860,208	7,583,823	(276,385)
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	<i>Instruction</i>	4,444,574	4,802,329	4,566,581	235,748
0012	<i>Instructional Resources and Media Services</i>	45,112	45,112	41,131	3,981
0013	<i>Curriculum and Staff Development</i>	10,250	10,250	5,857	4,393
	Total Instruction & Instr. Related Services	4,499,936	4,857,691	4,613,569	244,122
	Instructional and School Leadership:				
0023	<i>School Leadership</i>	495,292	524,792	514,438	10,354
	Total Instructional & School Leadership	495,292	524,792	514,438	10,354
	Support Services - Student (Pupil):				
0031	<i>Guidance, Counseling and Evaluation Services</i>	152,162	166,662	165,025	1,637
0033	<i>Health Services</i>	87,693	94,693	91,619	3,074
0034	<i>Student (Pupil) Transportation</i>	122,592	132,592	125,725	6,867
0036	<i>Cocurricular/Extracurricular Activities</i>	429,405	399,405	330,624	68,781
	Total Support Services - Student (Pupil)	791,852	793,352	712,993	80,359
	Administrative Support Services:				
0041	<i>General Administration</i>	493,012	493,012	492,675	337
	Total Administrative Support Services	493,012	493,012	492,675	337
	Support Services - Nonstudent Based:				
0051	<i>Plant Maintenance and Operations</i>	857,262	927,262	914,350	12,912
0052	<i>Security and Monitoring Services</i>	8,500	8,500	3,066	5,434
0053	<i>Data Processing Services</i>	86,139	126,639	117,977	8,662
	Total Support Services - Nonstudent Based	951,901	1,062,401	1,035,393	27,008
	Ancillary Services:				
0061	<i>Community Services</i>	31,800	31,800	28,601	3,199
	Total Ancillary Services	31,800	31,800	28,601	3,199
	Debt Service:				
0071	<i>Principal on Long-Term Debt</i>	923,214	39,580	40,803	(1,223)
0072	<i>Interest on Long-Term Debt</i>	--	14,079	12,856	1,223
	Total Debt Service	923,214	53,659	53,659	--
	Capital Outlay:				
0081	<i>Capital Outlay</i>	329,000	1,314,500	324,480	990,020
	Total Capital Outlay	329,000	1,314,500	324,480	990,020
	Intergovernmental Charges:				
0093	<i>Payments to Fiscal Agent/Member Dist.-SSA</i>	230,000	270,000	228,456	41,544
	Total Intergovernmental Charges	230,000	270,000	228,456	41,544
6030	Total Expenditures	8,746,007	9,401,207	8,004,264	1,396,943

TOLAR INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT G-1
Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive
		Original	Final		(Negative)
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(902,055)	(1,540,999)	(420,441)	1,120,558
	Other Financing Sources (Uses):				
7912	Sale of Real or Personal Property	--	2,000	1,250	(750)
7914	Issuance of Non-Current Debt	--	750,000	--	(750,000)
7915	Transfers In	--	3,000	4,036	1,036
8911	Transfers Out	--	(3,000)	(22,943)	(19,943)
7080	Total Other Financing Sources and (Uses)	--	752,000	(17,657)	(769,657)
1200	Net Change in Fund Balance	(902,055)	(788,999)	(438,098)	350,901
0100	Fund Balance - Beginning	2,437,915	2,437,915	2,437,915	--
3000	Fund Balance - Ending	\$ 1,535,860	\$ 1,648,916	\$ 1,999,817	\$ 350,901

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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability (asset)	0.003692%	0.003673%	0.003209%	0.003158%	0.003405%	0.002083%	--	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 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	3,583,751	3,801,557	2,326,889	2,786,108	2,605,509	2,270,372	--	--	--	--
Total	<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>	<u>\$ --</u>
District's covered-employee payroll	\$ 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-employee payroll	42.05%	46.36%	24.25%	29.16%	31.08%	14.25%	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	75.24%	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 PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 130,398	\$ 128,364	\$ 123,875	\$ 105,496	\$ 100,334	\$ 100,836	\$ 52,821	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(130,398)	(128,364)	(123,875)	(105,496)	(100,334)	(100,836)	(52,821)	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 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-employee payroll	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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the collective net OPEB liability	0.005824%	0.005799%	0.004673%	--	--	--	--	--	--	--
District's proportionate share of the collective net OPEB liability	\$ 2,754,023	\$ 2,895,507	\$ 2,032,031	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State proportionate share of the collective net OPEB liability associated with the District	3,659,480	3,851,574	3,435,955	--	--	--	--	--	--	--
Total	<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>	<u>\$ --</u>
District's covered-employee payroll	\$ 4,564,372	\$ 4,361,846	\$ 4,232,056	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	60.34%	66.38%	48.02%	--	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily or contractually required District contribution	\$ 44,265	\$ 40,789	\$ 36,899	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(44,265)	(40,789)	(36,899)	--	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 4,994,208	\$ 4,564,372	\$ 4,361,846	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	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, 2020

Budget

The official budget was prepared for adoption for all Governmental Fund Types legally required to adopt a budget (General Funds, Food Service Funds, and Debt Service Funds). A budget was not adopted for the District's major special revenue fund (IDEA-B Discretionary Fund) because it is not legally required to do so. 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 changes 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, 2020

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2011 and Prior Years	\$	Various	\$	Various	\$	Various
2012		1.04		.3355		202,013,534
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 (School Year Under Audit)		.97		.3100		293,505,000

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 9/1/19	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/20
\$ 10,968	\$ --	\$ 28	\$ 7	\$ 1	\$ 10,934
3,979	--	--	--	--	3,979
14,349	--	288	81	--	13,980
16,739	--	547	234	--	15,958
19,772	--	420	186	--	19,166
16,961	--	(2,345)	(906)	--	20,212
17,674	--	(1,920)	(741)	(317)	20,018
30,593	--	(1,335)	(514)	842	33,284
53,615	--	9,399	3,163	2,009	43,062
--	3,756,864	2,435,181	778,254	(6,185)	537,244
<u>\$ 184,650</u>	<u>\$ 3,756,864</u>	<u>\$ 2,440,263</u>	<u>\$ 779,764</u>	<u>\$ (3,650)</u>	<u>\$ 717,837</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

TOLAR INDEPENDENT SCHOOL DISTRICT**EXHIBIT J-2****FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)****GENERAL FUND****AS OF AUGUST 31, 2020**

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2020 (Exhibit C-1 object 3000 for the General Fund only)	\$ 1,999,817
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	--
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)	400,000
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)	667,022
7	Estimate of two months' average cash disbursements during the fiscal year	1,334,044
8	Estimate of delayed payments from state sources (58XX)	--
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)	2,401,066
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ (401,249)

TOLAR INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT J-3

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	<i>Local and Intermediate Sources</i>	\$ 133,455	\$ 87,775	\$ (45,680)
5800	<i>State Program Revenues</i>	13,300	11,511	(1,789)
5900	<i>Federal Program Revenues</i>	163,000	176,059	13,059
5020	Total Revenues	<u>309,755</u>	<u>275,345</u>	<u>(34,410)</u>
	EXPENDITURES:			
	Current:			
	Support Services - Student (Pupil):			
0035	<i>Food Services</i>	<u>312,255</u>	<u>298,288</u>	<u>13,967</u>
	Total Support Services - Student (Pupil)	<u>312,255</u>	<u>298,288</u>	<u>13,967</u>
6030	Total Expenditures	<u>312,255</u>	<u>298,288</u>	<u>13,967</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	<u>(2,500)</u>	<u>(22,943)</u>	<u>(20,443)</u>
	Other Financing Sources (Uses):			
7915	<i>Transfers In</i>	<u>2,500</u>	<u>22,943</u>	<u>20,443</u>
7080	Total Other Financing Sources and (Uses)	<u>2,500</u>	<u>22,943</u>	<u>20,443</u>
0100	Fund Balance - Beginning	<u>--</u>	<u>--</u>	<u>--</u>
3000	Fund Balance - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

TOLAR INDEPENDENT SCHOOL DISTRICT

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT J-4

Data Control Codes		1	2	3 Variance Positive (Negative)
		Budget	Actual	
REVENUES:				
5700	Local and Intermediate Sources	\$ 923,592	\$ 789,023	\$ (134,569)
5800	State Program Revenues	19,251	24,640	5,389
5020	Total Revenues	942,843	813,663	(129,180)
EXPENDITURES:				
Debt Service:				
0071	Principal on Long-Term Debt	996,786	955,755	41,031
0072	Interest on Long-Term Debt	481,799	522,250	(40,451)
0073	Bond Issuance Costs and Fees	2,000	1,952	48
	Total Debt Service	1,480,585	1,479,957	628
6030	Total Expenditures	1,480,585	1,479,957	628
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(537,742)	(666,294)	(128,552)
1200	Net Change in Fund Balance	(537,742)	(666,294)	(128,552)
0100	Fund Balance - Beginning	1,136,531	1,136,531	--
3000	Fund Balance - Ending	\$ 598,789	\$ 470,237	\$ (128,552)



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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tolar Independent School District, as of and for the year ended August 31, 2020, 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 October 16, 2020.

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 the Tolar Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 October 16, 2020.

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

October 16, 2020

TOLAR INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2020**

<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 to not have made timely payments.)	Yes
	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.	
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	\$ 1,624,736

