

**ARGYLE INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT FOR THE**  
**YEAR ENDED AUGUST 31, 2020**

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

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CERTIFICATE OF BOARD


Argyle Independent School District  
Name of School District

Denton  
County

061-910  
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved    disapproved for the year ended August 31, 2020, at a meeting of the Board of Trustees of such school district on the 14th day of December, 2020.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

Independent Auditors' Report

To the Board of Trustees  
Argyle Independent School District  
Argyle, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Argyle 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 Standard* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Argyle Independent School District as of August 31, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund 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* on pages 5 through 10 and the *pension and OPEB schedules* on pages 56 through 62 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 Argyle Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and the required TEA schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the required TEA schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the required TEA schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2020 on our consideration of Argyle Independent School District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Argyle Independent School District's internal control over financial reporting and compliance.

*Hankins, Eastup, Deaton, Tonn & Seay, PC*

Hankins, Eastup, Deaton, Tonn & Seay, PC  
Denton, Texas

December 8, 2020

**ARGYLE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2020  
(UNAUDITED)**

As management of Argyle Independent School 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. Please read this narrative in conjunction with the independent auditors' report on page 3, and the District's Basic Financial Statements that begin on page 13.

**FINANCIAL HIGHLIGHTS**

- The liabilities and deferred inflows of resources of Argyle Independent School District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$10,695,590 (negative net position). Of this amount, (\$10,481,000) represents negative unrestricted net position.
- The District's total net position increased by \$972,383 during the current fiscal year.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$62,814,927. Over 14% of this total amount, or \$9,286,505, is unassigned and available for use within the District's fund balance policies. The District's Capital Projects Fund has a fund balance of \$49,254,374.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,286,505 or 28.1% of the total general fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 13 and 15). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 16) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 27) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. The sections labeled TEA Required Schedules and Compliance and Internal Control Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

## **Reporting the District as a Whole**

### **The Statement of Net Position and the Statement of Activities**

The analysis of the District's overall financial condition and operations begins on page 13. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all of the District's assets and deferred outflows of resources; and liabilities and deferred inflows of resources at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets and deferred outflows of resources are reported whether they serve the current year or future years. Liabilities and deferred inflows of resources are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and deferred outflows of resources; less liabilities and deferred inflows of resources) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- Governmental activities—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- Business-type activities—The District does not have any programs in which it charges a fee to "customers" to help it cover all or most of the cost of services it provides. Thus, the District had no business-type activities during the current fiscal year.

## **Reporting the District's Most Significant Funds**

### **Fund Financial Statements**

The fund financial statements begin on page 16 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education. The District's administration establishes other funds to help it control and manage money for particular purposes.

Governmental funds--All of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

## The District as Trustee

### Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. The District's fiduciary activity is reported in a separate Statement of Fiduciary Assets and Liabilities on page 25. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in this fund are used for their intended purposes.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

The analysis below presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Negative net position of the District's governmental activities decreased from (\$11,667,973) to (\$10,695,590). Unrestricted negative net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was (\$10,481,000) at August 31, 2020.

**Table I**  
**NET POSITION**

	Governmental Activities	
	2020	2019
Current and other assets	\$ 73,123,643	\$ 106,948,916
Capital assets	161,144,421	127,378,610
Total assets	<u>234,268,064</u>	<u>234,327,526</u>
Deferred outflows of resources	9,958,236	9,397,216
Long-term liabilities	239,289,571	242,999,992
Other liabilities	9,849,602	8,632,031
Total liabilities	<u>249,139,173</u>	<u>251,632,023</u>
Deferred inflows of resources	<u>5,782,717</u>	<u>3,760,692</u>
Net Position:		
Net investment in capital assets	(4,193,542)	(4,412,525)
Restricted	3,978,952	3,616,050
Unrestricted	<u>(10,481,000)</u>	<u>(10,871,498)</u>
Total net position	<u>\$ (10,695,590)</u>	<u>\$ (11,667,973)</u>



**Table II**  
**CHANGES IN NET POSITION**

	Governmental Activities	
	2020	2019
Revenues:		
Program Revenues:		
Charges for services	\$ 1,682,334	\$ 2,439,172
Operating grants and contributions	2,243,065	1,835,855
General Revenues:		
Maintenance and operations taxes	25,431,438	23,300,062
Debt service taxes	12,042,922	10,266,857
State aid	6,241,499	3,023,808
Investment earnings	1,164,096	1,258,079
Grants and contributions not restricted	193,464	279,546
Miscellaneous	45,862	218,790
Total Revenues	<u>49,044,680</u>	<u>42,622,169</u>
Expenses:		
Instruction, curriculum and media services	23,592,884	19,283,642
Instructional and school leadership	2,249,435	1,924,933
Student support services	2,816,259	2,463,213
Child nutrition	1,448,041	1,522,385
Extracurricular activities	2,423,151	2,481,972
General administration	1,351,856	1,190,309
Plant maintenance, security and data processing	4,696,003	4,014,041
Debt service	8,013,140	6,873,278
Facilities acquisition and construction	398,061	847,199
Contracted instructional services between schools	54,161	286,371
Payments to shared service arrangement	811,494	606,911
Other intergovernmental charges	217,812	188,571
Total Expenses	<u>48,072,297</u>	<u>41,682,825</u>
Increase (Decrease) in Net Position	972,383	939,344
Net Position - beginning of year	<u>(11,667,973)</u>	<u>(12,607,317)</u>
Net Position - end of year	<u>\$ (10,695,590)</u>	<u>\$ (11,667,973)</u>

At the end of the current fiscal year, the District reports deficit balances in net investment in capital assets and in unrestricted net position, while reporting a positive balance in restricted net position. The District's net position increased by \$972,383 during the current fiscal year.

- Average daily attendance increased by 406 students (13.8%) from the prior year. Taxable property values increased 12.8%. State funding revenue increased approximately \$3.2 million.
- The District's maintenance and operations (M&O) tax rate decreased from \$1.1001 per \$100 valuation to \$1.023 per \$100 valuation. The debt service tax rate remained \$0.485 per \$100 valuation. Tax collections were higher because of increased taxable property values. Expenditures of the general fund increased 16.1% because of enrollment growth and salary increases required under new state funding legislation.
- The District made recapture payments to the State of Texas in the amount of \$54,161.

The cost of all governmental activities for the current fiscal year was \$48,072,297. However, as shown in the Statement of Activities on page 15, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$37,474,360 because some of the costs were paid by those who directly benefited from the programs (\$1,682,334) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2,243,065) or by State equalization funding (\$6,241,499).

## **THE DISTRICT'S FUNDS**

As the District completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$62,814,927, which is \$35,008,913 less than last year's total of \$97,823,840. Included in this year's total change in fund balance is an increase of \$1,357,442 in the District's General Fund, an increase of \$493,574 in the District's Debt Service Fund, and a decrease of \$36,759,674 in the District's Capital Projects Fund.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2019). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$9,286,505 reported on page 16 is more than the General Fund's budgetary fund balance of \$8,086,763 reported in the budgetary comparison statement on page 24 due to cost savings achieved amongst most functional categories.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At August 31, 2020, the District had \$161,144,421 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$33,765,811 or 26.5 percent, from last year.

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

### **Debt Administration**

At August 31, 2020, the District had \$221,923,510 in bonds and other long-term debt outstanding (including accreted interest on capital appreciation bonds) versus \$225,766,279 last year—a decrease of 1.7 percent. The District's general obligation bond rating is AAA (as a result of guarantees of the Texas Permanent School Fund), according to national rating agencies.

More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The District's 2020 Maintenance and Operations tax rate decreased to \$0.9337 per \$100 property valuation from \$1.023 per \$100 property valuation as a result of tax rate compression required by new State funding legislation passed in 2019. The Debt Service tax rate remained \$0.485 per \$100 property valuation.
- The Maintenance and Operations expenditure budget has increased approximately \$3.7 million from fiscal year 2020 actual expenditures due primarily to higher personnel costs resulting from staff raises and new positions required by enrollment growth.
- The District's 2020-2021 budget for the General Fund has budgeted expenditures equal to budgeted revenues (\$36.7 million).

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Argyle Independent School District, 800 Eagle Drive, Argyle, Texas 76226, (940) 464-7241.

## BASIC FINANCIAL STATEMENTS

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ARGYLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2020

EXHIBIT A-1

Data	Primary Government
Control	Governmental
Codes	Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 71,176,088
1220 Property Taxes - Delinquent	885,264
1230 Allowance for Uncollectible Taxes	(88,526)
1240 Due from Other Governments	1,150,687
1267 Due from Fiduciary Funds	130
Capital Assets:	
1510 Land	9,857,089
1520 Buildings, Net	111,571,899
1530 Furniture and Equipment, Net	1,831,052
1580 Construction in Progress	37,884,381
1000 Total Assets	234,268,064
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Charge on Bond Refundings	1,632,134
1705 Deferred Resource Outflows Related to TRS Pension	4,955,134
1706 Deferred Resource Outflows Related to TRS OPEB	3,370,968
1700 Total Deferred Outflows of Resources	9,958,236
<b>LIABILITIES</b>	
2110 Accounts Payable	7,212,886
2140 Accrued Interest Payable	337,624
2150 Payroll Deductions and Withholdings	228,663
2160 Accrued Wages Payable	1,983,718
2200 Accrued Expenses	86,376
2300 Unearned Revenue	335
Noncurrent Liabilities:	
2501 Due Within One Year	3,265,656
2502 Due in More Than One Year	218,657,854
2540 Net Pension Liability (District's Share)	7,879,539
2545 Net OPEB Liability (District's Share)	9,486,522
2000 Total Liabilities	249,139,173
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Resource Inflows Related to TRS Pension	1,678,500
2606 Deferred Resource Inflows Related to TRS OPEB	4,104,217
2600 Total Deferred Inflows of Resources	5,782,717
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	(4,193,542)
3820 Restricted for Federal and State Programs	6,275
3850 Restricted for Debt Service	3,972,677
3900 Unrestricted	(10,481,000)
3000 Total Net Position	\$ (10,695,590)

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

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

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6 Net (Expense) Revenue and Changes in Net Position
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 22,946,448	\$ 138,212	\$ 1,310,864	\$ (21,497,372)
12 Instructional Resources and Media Services	540,917	-	21,393	(519,524)
13 Curriculum and Instructional Staff Development	105,519	-	2,651	(102,868)
21 Instructional Leadership	292,090	-	11,798	(280,292)
23 School Leadership	1,957,345	-	82,666	(1,874,679)
31 Guidance, Counseling, and Evaluation Services	893,865	-	35,625	(858,240)
33 Health Services	458,669	-	19,877	(438,792)
34 Student (Pupil) Transportation	1,463,725	-	226,072	(1,237,653)
35 Food Services	1,448,041	1,053,665	181,899	(212,477)
36 Extracurricular Activities	2,423,151	377,001	41,031	(2,005,119)
41 General Administration	1,351,856	-	41,593	(1,310,263)
51 Facilities Maintenance and Operations	3,557,764	113,456	130,532	(3,313,776)
52 Security and Monitoring Services	306,063	-	12,195	(293,868)
53 Data Processing Services	832,176	-	22,851	(809,325)
72 Debt Service - Interest on Long-Term Debt	8,005,805	-	99,596	(7,906,209)
73 Debt Service - Bond Issuance Cost and Fees	7,335	-	-	(7,335)
81 Capital Outlay	398,061	-	2,422	(395,639)
91 Contracted Instructional Services Between Schools	54,161	-	-	(54,161)
93 Payments Related to Shared Services Arrangements	811,494	-	-	(811,494)
99 Other Intergovernmental Charges	217,812	-	-	(217,812)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 48,072,297	\$ 1,682,334	\$ 2,243,065	(44,146,898)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	25,431,438
DT	Property Taxes, Levied for Debt Service	12,042,922
SF	State Aid - Formula Grants	6,241,499
GC	Grants and Contributions not Restricted	193,464
IE	Investment Earnings	1,164,096
MI	Miscellaneous Local and Intermediate Revenue	45,862
TR	Total General Revenues	45,119,281
CN	Change in Net Position	972,383
NB	Net Position - Beginning	(11,667,973)
NE	Net Position - Ending	\$ (10,695,590)

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



ARGYLE INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2020

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 11,176,424	\$ 4,070,114	\$ 55,750,407
1220 Property Taxes - Delinquent	618,390	266,874	-
1230 Allowance for Uncollectible Taxes	(61,839)	(26,687)	-
1240 Due from Other Governments	605,348	-	442,800
1260 Due from Other Funds	130	-	-
1000 Total Assets	<u>\$ 12,338,453</u>	<u>\$ 4,310,301</u>	<u>\$ 56,193,207</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 248,205	\$ -	\$ 6,938,833
2150 Payroll Deductions and Withholdings Payable	228,663	-	-
2160 Accrued Wages Payable	1,936,540	-	-
2170 Due to Other Funds	411	-	-
2200 Accrued Expenditures	81,578	-	-
2300 Unearned Revenue	-	-	-
2000 Total Liabilities	<u>2,495,397</u>	<u>-</u>	<u>6,938,833</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	556,551	240,187	-
2600 Total Deferred Inflows of Resources	<u>556,551</u>	<u>240,187</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	49,254,374
3480 Retirement of Long-Term Debt	-	4,070,114	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	9,286,505	-	-
3000 Total Fund Balances	<u>9,286,505</u>	<u>4,070,114</u>	<u>49,254,374</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 12,338,453</u>	<u>\$ 4,310,301</u>	<u>\$ 56,193,207</u>

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

Other Funds	Total Governmental Funds
\$ 179,143	\$ 71,176,088
-	885,264
-	(88,526)
102,539	1,150,687
411	541
<u>\$ 282,093</u>	<u>\$ 73,124,054</u>
\$ 25,848	\$ 7,212,886
-	228,663
47,178	1,983,718
-	411
4,798	86,376
335	335
<u>78,159</u>	<u>9,512,389</u>
-	796,738
-	796,738
6,275	6,275
-	49,254,374
-	4,070,114
197,659	197,659
-	9,286,505
<u>203,934</u>	<u>62,814,927</u>
<u>\$ 282,093</u>	<u>\$ 73,124,054</u>

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

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 62,814,927</b>
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	193,966,502
2 Accumulated depreciation is not reported in the fund financial statements.	(32,822,081)
3 Bonds payable are not reported in the fund financial statements.	(190,817,466)
4 Accreted interest payable on capital appreciation bonds is not reported in the fund financial statements.	(5,699,039)
5 Bond premiums on outstanding bonds payable are not recognized in the fund financial statements.	(25,407,005)
6 The deferred charge on bond refundings is not recognized in the fund financial statements.	1,632,134
7 Property tax revenue reported as unavailable revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.	796,738
8 Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(337,624)
9 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 and 71 in the amount of \$7,879,539, Deferred Inflows of Resources related to TRS in the amount of \$1,678,500, and Deferred Outflows of Resources related to TRS in the amount of \$4,955,134. This results in a decrease in Net Position in the amount of \$4,602,905.	(4,602,905)
10 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of \$9,486,522, a Deferred Resource Inflow related to TRS OPEB in the amount of \$4,104,217, and a Deferred Resource Outflow related to TRS OPEB in the amount of \$3,370,968. This results in a net decrease in Net Position in the amount of \$10,219,771.	(10,219,771)
<b>19 Net Assets of Governmental Activities</b>	<b>\$ (10,695,590)</b>

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

ARGYLE 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	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 26,183,322	\$ 12,157,888	\$ 886,211
5800 State Program Revenues	8,121,410	99,596	3,292
5900 Federal Program Revenues	68,058	-	-
5020 Total Revenues	34,372,790	12,257,484	889,503
EXPENDITURES:			
Current:			
0011 Instruction	19,328,901	-	405,950
0012 Instructional Resources and Media Services	523,634	-	-
0013 Curriculum and Instructional Staff Development	103,024	-	-
0021 Instructional Leadership	282,559	-	-
0023 School Leadership	1,839,161	-	-
0031 Guidance, Counseling, and Evaluation Services	851,960	-	-
0033 Health Services	440,402	-	-
0034 Student (Pupil) Transportation	1,184,311	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	1,518,153	-	-
0041 General Administration	1,306,468	-	-
0051 Facilities Maintenance and Operations	3,467,622	-	14,000
0052 Security and Monitoring Services	306,115	-	-
0053 Data Processing Services	779,571	-	-
Debt Service:			
0071 Principal on Long-Term Debt	-	2,045,425	-
0072 Interest on Long-Term Debt	-	9,711,150	-
0073 Bond Issuance Cost and Fees	-	7,335	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	37,229,227
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	54,161	-	-
0093 Payments to Fiscal Agent/Member Districts of SSA	811,494	-	-
0099 Other Intergovernmental Charges	217,812	-	-
6030 Total Expenditures	33,015,348	11,763,910	37,649,177
1200 Net Change in Fund Balances	1,357,442	493,574	(36,759,674)
0100 Fund Balance - September 1 (Beginning)	7,929,063	3,576,540	86,014,048
3000 Fund Balance - August 31 (Ending)	\$ 9,286,505	\$ 4,070,114	\$ 49,254,374

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

	Other Funds	Total Governmental Funds
\$	1,299,839	\$ 40,527,260
	462,082	8,686,380
	261,141	329,199
	2,023,062	49,542,839
	470,200	20,205,051
	-	523,634
	1,840	104,864
	-	282,559
	-	1,839,161
	-	851,960
	-	440,402
	-	1,184,311
	1,379,853	1,379,853
	184,268	1,702,421
	-	1,306,468
	87,156	3,568,778
	-	306,115
	-	779,571
	-	2,045,425
	-	9,711,150
	-	7,335
	-	37,229,227
	-	54,161
	-	811,494
	-	217,812
	2,123,317	84,551,752
	(100,255)	(35,008,913)
	304,189	97,823,840
\$	203,934	\$ 62,814,927

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

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (35,008,913)</b>
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of reclassifying the current year capital asset additions is to increase net position.	37,019,791
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of the current year's depreciation is to decrease net position in the government-wide financial statements.	(3,253,980)
Current year long-term debt principal payments on bonds payable and payments of accreted interest on capital appreciation bonds are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	3,172,067
Current year interest accretion on capital appreciation bonds payable is not recognized in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	(591,993)
Interest expense on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due.	3,275
Revenues from property taxes are reported as unavailable revenue in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectible amounts, in the government-wide financial statements.	(37,206)
Current year amortization of the premium on bonds payable is not recognized in the fund financial statements, but is shown as a reduction in long-term debt in the government-wide financial statements.	1,262,695
Current year amortization of the deferred charge on bond refundings is not recognized in the fund financial statements, but is shown as a reduction of the deferred charge in the government-wide financial statements.	(95,274)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS contributions made after the measurement date of 8/31/2019 caused the change in the ending net position to increase by \$172,864. These contributions were replaced with the District's pension expense for the year of \$1,260,414, which caused a decrease in the change in net position. The net effect of these is to decrease the change in net position by \$1,280,414.	(1,107,550)

ARGYLE INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT C-4

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<p>The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made after the measurement date of 8/31/19 but during the current fiscal year caused the ending net position to increase in the amount of \$21,792. These contributions were replaced with the District's OPEB expense for the year of \$412,321, which caused a decrease in the change in net position. The net effect of these is to decrease the change in net position by \$390,529.</p>	<p>(390,529)</p>
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<b>Change in Net Assets of Governmental Activities</b>	<div style="border-top: 1px solid black; border-bottom: 3px double black; padding: 2px 0;"> <div style="display: flex; justify-content: space-between;"> <span>\$</span> <span>972,383</span> </div> </div>
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ARGYLE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 25,725,500	\$ 26,136,200	\$ 26,183,322	\$ 47,122
5800 State Program Revenues	6,855,800	7,680,800	8,121,410	440,610
5900 Federal Program Revenues	102,000	102,000	68,058	(33,942)
5020 Total Revenues	32,683,300	33,919,000	34,372,790	453,790
EXPENDITURES:				
Current:				
0011 Instruction	18,779,410	19,577,010	19,328,901	248,109
0012 Instructional Resources and Media Services	523,506	523,506	523,634	(128)
0013 Curriculum and Instructional Staff Development	123,478	120,878	103,024	17,854
0021 Instructional Leadership	283,987	283,987	282,559	1,428
0023 School Leadership	1,815,404	1,830,404	1,839,161	(8,757)
0031 Guidance, Counseling, and Evaluation Services	849,149	859,149	851,960	7,189
0033 Health Services	465,734	465,734	440,402	25,332
0034 Student (Pupil) Transportation	1,284,726	1,309,726	1,184,311	125,415
0036 Extracurricular Activities	1,608,095	1,558,095	1,518,153	39,942
0041 General Administration	1,329,358	1,329,358	1,306,468	22,890
0051 Facilities Maintenance and Operations	3,635,533	3,678,533	3,467,622	210,911
0052 Security and Monitoring Services	327,871	352,871	306,115	46,756
0053 Data Processing Services	782,049	797,049	779,571	17,478
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	60,000	60,000	54,161	5,839
0093 Payments to Fiscal Agent/Member Districts of SSA	600,000	795,000	811,494	(16,494)
0099 Other Intergovernmental Charges	215,000	220,000	217,812	2,188
6030 Total Expenditures	32,683,300	33,761,300	33,015,348	745,952
1200 Net Change in Fund Balances	-	157,700	1,357,442	1,199,742
0100 Fund Balance - September 1 (Beginning)	7,929,063	7,929,063	7,929,063	-
3000 Fund Balance - August 31 (Ending)	\$ 7,929,063	\$ 8,086,763	\$ 9,286,505	\$ 1,199,742

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

ARGYLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
AUGUST 31, 2020

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 397,035
Total Assets	<u>\$ 397,035</u>
LIABILITIES	
Accounts Payable	\$ 10,284
Due to Other Funds	130
Due to Student Groups	386,621
Total Liabilities	<u>\$ 397,035</u>
NET POSITION	
Unrestricted Net Position	
Total Net Position	

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

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Argyle Independent School District's (the "District") combined financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

**A. REPORTING ENTITY**

The Board of Trustees, a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees is elected by the public. The trustees as a body corporate have 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 (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, Argyle Independent School District has no component units.

**B. BASIS OF PRESENTATION**

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. The District had no business-type activities.

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

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

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused debt service fund balances are transferred to the General Fund after all of the related debt obligations have been met.
3. **Capital Projects Fund** - This fund is established to account for proceeds from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Agency Funds** - These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

**C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and deferred outflows of resources; and liabilities and deferred inflows of resources (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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

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

The revenue susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as deferred revenues, and funds expended but not yet received are shown as receivables.

Revenue from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

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

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

**D. BUDGETARY CONTROL**

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's FAR module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within Fund Groups at the function code level and revenue object code level.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Food Service Fund, and the Debt Service Fund. The special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

August 31, 2020	
<u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 3,951
Nonappropriated Budget Funds	<u>199,983</u>
All Special Revenue Funds	<u>\$203,934</u>

**E. ENCUMBRANCE ACCOUNTING**

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. The District had no material encumbrances outstanding at August 31, 2020.

**F. INVENTORIES**

The District records purchases of supplies as expenditures.

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

**G. INTERFUND RECEIVABLES AND PAYABLES**

Short-term amounts owed between funds are classified as “Due to/from other funds”. Interfund loans are classified as “Advances to/from other funds” and are offset by a fund balance reserve account.

**H. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings & Improvements	15-50 Years
Furniture and Equipment	3-15 Years

**I. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

*A deferred outflow of resources* is a consumption of a government’s net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

**Deferred outflows of resources for refunding** - Reported in the government-wide statement of net position, the deferred charge on bond refundings results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amount of deferred outflows reported in the governmental activities for the deferred charge on bond refundings at August 31, 2020 was \$1,632,134.

**Deferred outflows of resources for pensions** - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently approximately 6.7 years.

The amount of deferred outflows reported in the governmental activities for deferred pension expenses at August 31, 2020 was \$4,955,134.



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

**Deferred outflows of resources for OPEB-** Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan which is currently approximately 8.6 years. The amount of deferred outflows reported for deferred OPEB expense at August 31, 2020 was \$3,370,968.

*A deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

**Deferred inflows of resources for unavailable revenues -** Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources in the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at August 31, 2020 was \$796,738.

**Deferred inflows of resources for pensions -** Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments and other actuarial and other assumption differences. These amounts will be amortized over a closed 5 year period. In fiscal year 2020, the District reported deferred inflows of resources for pensions in the governmental activities in the amount of \$1,678,500.

**Deferred inflows of resources for OPEB -** Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life (AERSL) of all members (8.6 years for the 2019 measurement year). In fiscal year 2020, the District reported deferred inflows of resources for OPEB in the governmental activities in the amount of \$4,104,217.

**J. COMPENSATED ABSENCES**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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**K. NET POSITION**

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

When both restricted and unrestricted net position is available, restricted net position is expended before unrestricted net position if such use is consistent with the restricted purpose.

**L. LONG-TERM OBLIGATIONS**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expenses as incurred.

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

**M. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2020, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**N. ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2. FUND BALANCES**

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

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- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has no nonspendable fund balance.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects resources are restricted for future capital outlay. Federal and State grant resources are restricted because their use is restricted pursuant to the grant requirements.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by **taking** the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees has committed resources as of August 31, 2020 for campus activities and local grants.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, the Board of Trustees, Superintendent, or Chief Financial Officer may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has no assigned fund balance at August 31, 2020.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance of the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 16) and are described below:

### **General Fund**

General Fund has unassigned fund balance of \$9,286,505 at August 31, 2020.

### **Debt Service Fund**

The Debt Service Fund has restricted funds of \$4,070,114 at August 31, 2020 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

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**Capital Projects Fund**

The Capital Projects Fund has restricted funds of \$49,254,374 at August 31, 2020 consisting primarily of remaining bond issuance proceeds that are restricted for construction and other capital outlay expenditures.

**Other Funds**

The fund balances of \$144,864 and \$52,795 of the Campus Activity and other Local Grants Funds (special revenue funds) are shown as committed due to Board policy committing those funds to campus activities and local projects. The following special revenue funds fund balances are restricted by Federal or State grant restrictions:

National Breakfast & Lunch Program	\$3,951
Advanced Placement Incentives	<u>2,324</u>
Total	<u>\$6,275</u>

**NOTE 3. 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 (checking accounts and interest-bearing demand accounts) was \$10,520,931 and the bank balance was \$12,373,878. The District's cash deposits at August 31, 2020 were entirely covered by FDIC insurance or by letters of credit or pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of 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, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

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- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District’s deposits may not be returned to it. As of August 31, 2020, the District’s cash deposits totaled \$12,373,878. This entire amount was either collateralized with a letter of credit or securities held by the District’s agent or covered by FDIC insurance. Thus, the District’s deposits were not exposed to custodial credit risk as of August 31, 2020. The District’s deposits were fully collateralized with a letter of credit or securities held by the District’s agent or covered by FDIC Insurance for the entire year.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At August 31, 2020, the District held investments in a public funds investment pool. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexSTAR Investment Pool at year-end was AAAm (Standard & Poor’s).
- d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the District’s investment in the external investment pool is less than 60 days.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2020, the District was not exposed to foreign currency risk.
- f. Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the District’s investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District’s investments in Pools are reported at an amount determined by the fair value per share of the pool’s underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

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

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
TexSTAR Investment Pool	<u>\$61,036,951</u>	<u>\$61,036,951</u>
	<u>\$61,036,951</u>	<u>\$61,036,951</u>

### Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

The District's investment in the Public Investment Pool is not required to be measured at fair value but is measured at amortized cost.

### NOTE 4. CAPITAL ASSETS

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

	<u>Balance September 1</u>	<u>Additions/ Completions</u>	<u>Retirement/ Adjustments</u>	<u>Balance August 31</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 9,857,089	\$ -	\$ -	\$ 9,857,089
Construction in Progress	39,019,283	35,953,971	37,088,873	37,884,381
Total Capital assets not being depreciated	<u>48,876,372</u>	<u>35,953,971</u>	<u>37,088,873</u>	<u>47,741,470</u>
Capital assets, being depreciated				
Buildings and Improvements	102,557,546	37,393,036	-	139,950,582
Furniture and Equipment	1,978,619	55,745	-	2,034,364
Vehicles	3,534,174	705,912	-	4,240,086
Total Capital assets being depreciated	<u>108,070,339</u>	<u>38,154,693</u>	<u>-</u>	<u>146,225,032</u>
Less accumulated depreciation for:				
Buildings and Improvements	(25,593,787)	(2,784,896)	-	(28,378,683)
Furniture and Equipment	(1,555,749)	(144,760)	-	(1,700,509)
Vehicles	(2,418,565)	(324,324)	-	(2,742,889)
Total accumulated depreciation	<u>(29,568,101)</u>	<u>(3,253,980)</u>	<u>-</u>	<u>(32,822,081)</u>
Total Capital assets, being depreciated, net	<u>78,502,238</u>	<u>34,900,713</u>	<u>-</u>	<u>113,402,951</u>
Governmental activities capital assets, net	<u>\$ 127,378,610</u>	<u>\$ 70,854,684</u>	<u>\$ 37,088,873</u>	<u>\$ 161,144,421</u>

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

Governmental activities:	
Instruction	\$2,036,292
School Leadership	51,403
Guidance, Counseling & Evaluation Services	13,126
Health Services	2,210
Student Transportation	309,704
Food Services	40,524
Cocurricular/Extracurricular Activities	687,584
General Administration	11,788
Plant Maintenance and Operations	56,540
Security and Monitoring Services	10,664
Data Processing Services	<u>34,145</u>
Total depreciation expense-Governmental activities	<u>\$3,253,980</u>

**NOTE 5. LONG-TERM DEBT**

Long-term debt includes par bonds and capital appreciation (deep discount) serial bonds. All long-term debt represents transactions in the District's governmental activities.

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), 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.

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The following is a summary of the changes in the District's Long-term Debt for the year ended August 31, 2020:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/19	Issued Current Year	Interest Accretion	Retired/ Refunded	Amounts Outstanding 8/31/20	Due Within One Year
Unlimited tax school bldg. & refunding bonds-Series 1997	4.60-5.50%	7,836,771	\$ 426,958	\$ -	\$ -	\$ 100,000	\$ 326,958	\$ 100,000
Unlimited tax school bldg. & bonds-Series 1998	4.60%	5,315,861	1,655,933	-	-	90,425	1,565,508	85,199
Unlimited tax school bldg. & refunding bonds-Series 2005	4.79%	4,962,500	345,000	-	-	5,000	340,000	5,000
Unlimited tax refunding bonds-Series 2011	2.15-4.25%	2,355,000	2,305,000	-	-	15,000	2,290,000	15,000
Unlimited tax refunding bonds-Series 2013A	3.65-4.00%	895,000	895,000	-	-	-	895,000	-
Unlimited tax refunding bonds-Series 2013B	2.00-4.00%	4,515,000	4,510,000	-	-	5,000	4,505,000	5,000
Unlimited tax refunding bonds-Series 2014	2.00-4.00%	3,925,000	3,690,000	-	-	45,000	3,645,000	45,000
Unlimited tax school building bonds-Series 2014	3.00-4.00%	35,110,000	31,100,000	-	-	1,395,000	29,705,000	1,475,000
Unlimited tax refunding bonds-Series 2015	1.14-4.00%	6,480,000	6,470,000	-	-	5,000	6,465,000	5,000
Unlimited tax school building bonds-Series 2016	4.00%	4,475,000	4,220,000	-	-	130,000	4,090,000	135,000
Unlimited tax refunding bonds-Series 2016	2.00-3.31%	4,490,000	4,130,000	-	-	110,000	4,020,000	115,000
Unlimited tax refunding bonds-Series 2017A	1.00-4.00%	23,220,000	22,475,000	-	-	145,000	22,330,000	145,000
Unlimited tax school building bonds-Series 2017B	2.00-5.00%	41,195,000	40,720,000	-	-	-	40,720,000	-
Unlimited tax school building bonds-Series 2019	3.00-5.00%	69,920,000	<u>69,920,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,920,000</u>	<u>-</u>
Total Bonded Indebtedness:			<u>192,862,891</u>	<u>-</u>	<u>-</u>	<u>2,045,425</u>	<u>190,817,466</u>	<u>2,130,199</u>
Other Direct Obligations:								
Accreted Interest - Capital Appreciation Bonds			6,233,688	-	591,993	1,126,642	5,699,039	1,135,457
Bond Premiums			<u>26,669,700</u>	<u>-</u>	<u>-</u>	<u>1,262,695</u>	<u>25,407,005</u>	<u>-</u>
Total Other Obligations:			<u>32,903,388</u>	<u>-</u>	<u>591,993</u>	<u>2,389,337</u>	<u>31,106,044</u>	<u>1,135,457</u>
Total Obligations of District			<u>\$225,766,279</u>	<u>\$ -</u>	<u>\$ 591,993</u>	<u>\$ 4,434,762</u>	<u>\$221,923,510</u>	<u>\$3,265,656</u>

Presented below is a summary of general obligation bond requirements to maturity:

Year Ended	Total	
August 31,	Principal	Interest
	Requirements	
2021	\$ 2,130,199	\$ 9,632,776
2022	3,479,492	9,385,458
2023	3,021,331	8,583,094
2024	3,929,052	8,064,773
2025	4,850,482	7,907,268
2026-2030	30,871,910	39,932,678
2031-2035	38,285,000	30,659,375
2036-2040	42,050,000	18,465,400
2041-2045	39,525,000	8,977,150
2046-2049	<u>22,675,000</u>	<u>2,311,800</u>
	<u>\$190,817,466</u>	<u>\$143,919,772</u>
		<u>\$334,737,238</u>

The 1997, 1998, 2011, 2013A, 2013B, 2014, 2015 and 2016 bond series include Capital Appreciation Bonds. No interest is paid on these bonds prior to maturity. The bonds mature variously in 2021 through 2032. Interest accrues on these bonds each February 15 and August 15 even though the interest is not paid until maturity.



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General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the District. General Obligation Bonds require the District to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The District is in compliance with this requirement.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2020.

**NOTE 6. DEFERRED CHARGE ON BOND REFUNDINGS**

The District's deferred charge on bond refundings are as follows:

Balance – August 31, 2019	\$1,727,408
Current year amortization	<u>(95,274)</u>
Balance – August 31, 2020	<u>\$1,632,134</u>

**NOTE 7. PROPERTY TAXES**

Property taxes are considered available when collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2019-20 fiscal year was based was \$2,424,156,654. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2020, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.023 and \$0.485 per \$100 valuation, respectively, for a total of \$1.508 per \$100 valuation.

Current tax collections for the year ended August 31, 2020 were 99.1% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting 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. As of August 31, 2020, property taxes receivable, net of estimated uncollectible taxes, totaled \$556,551 and \$240,187 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and unavailable revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected.

**NOTE 8. DEFINED BENEFIT PENSION PLAN**

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

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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.

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

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

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

In May, 2019, the 86<sup>th</sup> 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 13<sup>th</sup> check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

**Contributions.** Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of 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 86<sup>th</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

	<u>Contribution Rates</u>	
	<u>2019</u>	<u>2020</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employer	6.8%	7.5%
Argyle ISD FY2020 Employer Contributions	\$ 696,635	
Argyle ISD FY2020 Member Contributions	\$ 1,763,302	
Argyle ISD FY2020 NECE On-Behalf Contributions	\$ 1,308,714	

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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 the 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, 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 including public 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 source or a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. The 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 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.

**Actuarial Assumptions.** The total pension liability in the August 31, 2019 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 are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2018.

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

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

The long-term rate of return on pension plan investments is 7.25%.

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

Asset Class	FY2019 Target Allocation <sup>1</sup>	New Target Allocation <sup>2</sup>	Long-Term Expected Geometric Real Rate of Return <sup>3</sup>
<b>Global Equity</b>			
U.S.	18%	18%	6.4%
Non-U.S. Developed	13%	13%	6.3%
Emerging Markets	9%	9%	7.3%
Directional Hedge Funds	4%	-	-
Private Equity	13%	14%	8.4%
<b>Stable Value</b>			
U.S. Treasuries	11%	16%	3.1%
Absolute Return	-	-	-
Stable Value Hedge Funds	4%	5%	4.5%
<b>Real Return</b>			
Global Inflation Linked Bonds <sup>4</sup>	3%	-	-
Real Estate	14%	15%	8.5%
Energy, Natural Resources & Infrastructure	5%	6%	7.3%
Commodities	-	-	-
<b>Risk Parity</b>			
Risk Parity	5%	8%	5.8%/6.5% <sup>5</sup>
<b>Leverage</b>			
Cash	1%	2%	2.5%
Asset Allocation Leverage	-	-6%	2.7%
<b>Total</b>	<u>100%</u>	<u>100%</u>	<u>7.23%</u>

<sup>1</sup> Target allocations are based on the Strategic Asset Allocation as of FY2019

<sup>2</sup> New allocations are based on the Strategic Asset Allocation to be implemented FY2020

<sup>3</sup> 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

<sup>4</sup> New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds

<sup>5</sup> 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility

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**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%)
Argyle ISD's proportionate share of the net pension liability:	\$12,111,995	\$7,879,539	\$4,450,431

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At August 31, 2020, Argyle Independent School District reported a liability of \$7,879,539 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Argyle Independent School District. The amount recognized by Argyle Independent School 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 Argyle Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 7,879,539
State's proportionate share that is associated with the District	<u>13,997,799</u>
Total	<u>\$21,877,338</u>

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

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.01515788%, an increase of 3.5% from its proportionate share of 0.0146501% at August 31, 2018.

**Changes Since the Prior Actuarial Valuation** – The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13<sup>th</sup> 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, Argyle Independent School District recognized pension expense of \$1,308,714 and revenue of \$1,308,714 for support provided by the State.

At August 31, 2020, Argyle Independent School 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 (the amounts shown below will be the cumulative layers from the current and prior years combined):

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 33,101	\$ 273,590
Changes in actuarial assumptions	2,444,620	1,010,233
Difference between projected and actual investment earnings	473,720	394,601
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,307,058	76
Contributions paid to TRS subsequent to the measurement date	696,635	-
Total	\$4,955,134	\$1,678,500

\$696,635 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2021. Other amounts reported as 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	\$ 649,346
2022	559,159
2023	647,834
2024	570,743
2025	214,539
Thereafter	(61,622)

**NOTE 9. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**

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

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

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

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

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

<b>TRS-Care Monthly for Retirees</b>		
	<u><b>Medicare</b></u>	<u><b>Non-Medicare</b></u>
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

\* or surviving spouse

**Contributions.** Contribution rates for 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 .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u><b>Contribution Rates</b></u>	
	<u><b>2019</b></u>	<u><b>2020</b></u>
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%
Argyle ISD FY20 Employer Contributions		\$164,160
Argyle ISD FY20 Member Contributions		\$148,794
Argyle ISD FY20 NECE On-behalf Contributions		\$283,862

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 to TRS Care, a monthly surcharge of \$535 per retiree.

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

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

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

**Additional Actuarial Methods and Assumptions:**

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63%
Aging Factors	Based on specific plan experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs
Projected Salary Increases	3.05% to 9.05%, including inflation
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% participation after age 65
Ad hoc post-employment benefit changes	None

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

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

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

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



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	1% Decrease in Discount Rate (1.63%)	Current Single Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District's proportionate share of the Net OPEB Liability:	\$11,453,275	\$9,486,522	\$7,947,928

**Healthcare Cost Trend Rates Sensitivity Analysis** - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the OPEB liability would be if it were calculated using a trend rate that is one-percentage lower or one-percentage point higher than the assumed healthcare cost trend rate of 8.5%.

	1% Decrease (7.5%)	Current Healthcare Cost Trend Rate (8.5%)	1% Increase (9.5%)
District's proportionate share of the Net OPEB Liability:	\$7,738,772	\$9,486,522	\$11,827,705

**OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.** At August 31, 2020, the District reported a liability of \$9,486,522 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	\$ 9,486,522
State's proportionate share that is associated with the District	<u>12,605,465</u>
Total	<u>\$22,091,987</u>

The Net OPEB Liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan 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 0.0200598%, an increase of 9.2% compared to the August 31, 2018 proportionate share of 0.0183653%.

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

- The discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of the 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.

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- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while activity employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.
- Change of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2020, the District recognized OPEB expense of \$283,862 and revenue of \$283,862 for support provided by the State.

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	\$ 465,395	\$1,552,369
Changes in actuarial assumptions	526,902	2,551,641
Difference between projected and actual investment earnings	1,231	207
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,213,280	-
Contributions paid to TRS subsequent to the measurement date	164,160	-
Total	\$3,370,968	\$4,104,217

The net amounts of the employer's balance of deferred outflows and inflows of resources (not including the deferred contribution paid subsequent to the measurement date) related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2021	\$ (225,489)
2022	(225,489)
2023	(225,821)
2024	(226,010)
2025	(225,961)
Thereafter	231,361

**NOTE 10. MEDICARE PART D**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2020, 2019 and 2018, the subsidy payments received by TRS-Care on behalf of the District were \$98,851, \$64,761 and \$45,822, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

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**NOTE 11. INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables at August 31, 2020 represented short-term advances between funds. These amounts are expected to be repaid in less than one year from August 31, 2020.

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major Governmental Funds:		
General Fund:		
Special Revenue Funds:		
Child Nutrition Fund	\$ -	\$ 411
Agency Fund	<u>130</u>	<u>-</u>
Total Major Governmental Funds	<u>130</u>	<u>411</u>
Nonmajor Governmental Funds:		
Special Revenue Funds:		
General Fund	<u>411</u>	<u>-</u>
Total Nonmajor Governmental Funds	<u>411</u>	<u>-</u>
Agency Fund	<u>-</u>	<u>130</u>
Total	<u>\$ 541</u>	<u>\$ 541</u>

**NOTE 12. RISK MANAGEMENT**

**Health Care:**

During the year ended August 31, 2020, employees of Argyle Independent School District were covered by a health insurance plan (the Plan). The District contributed \$250 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contributions. All contributions were paid to a fully insured plan (TRS ActiveCare).

**Workers Compensation:**

The District participates in the SchoolComp Workers Compensation Self-Insurance Joint Fund. The District is partially self-funded to a loss fund maximum of \$41,985 for the 19-20 fiscal year. Additionally, the District incurred fixed costs of \$46,358 for their share of claims administration, loss control, record keeping, and cost of excess insurance.

Creative Risk Funding provides claims administration. Reinsurance is provided for aggregate claim losses exceeding \$250,000. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in the fixed costs will adjust subsequent year charges.

The accrued liability for workers compensation self-insurance of \$43,201 includes incurred but not reported claims. The liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuarial calculation.

Changes in workers compensation claims liability amounts in fiscal years 2020 and 2019 are shown below:

<u>Fiscal Year</u>	<u>September 1 Claims Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>August 31 Claims Liability</u>
2020	\$ 62,094	\$30,815	\$49,708	\$43,201
2019	53,577	25,283	16,766	62,094

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The District was fully insured for workers compensation risks prior to September 1, 2006.

Property and Casualty Insurance:

During the year ended August 31, 2020, Argyle ISD participated in the TASB Risk Management Fund's (the Fund's) Property Casualty Program with coverage in:

Auto Liability  
Auto Physical Damage  
School Liability  
Property  
Privacy & Information Security

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Casualty Program. The terms and limits of the stop-loss program vary by line of 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, Argyle ISD will have 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 plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2019, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Unemployment Compensation Pool:

During the year ended August 31, 2020, Argyle ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligations 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 the District has no additional liability beyond the contractual obligation for payment of contributions.

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

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**NOTE 13. DUE FROM OTHER GOVERNMENTS**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2020, are summarized below. All federal grants shown below are passed through the TEA and are reported on the financial statements as Due from Other Governments.

Fund	State Grants	Federal Grants	Local Governments	Total
General Fund	\$ 605,348	\$ -	\$ -	\$ 605,348
Capital Projects Fund	442,800	-	-	442,800
Special Revenue Funds	49,530	53,009	-	102,539
Total	<u>\$1,097,678</u>	<u>\$ 53,009</u>	<u>\$ -</u>	<u>\$1,150,687</u>

**NOTE 14. LITIGATION AND CONTINGENCIES**

The District participates in numerous state and Federal 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, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2020 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 combined financial statements for such contingencies.

**NOTE 15. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES**

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$25,286,144	\$ -	\$11,970,810	\$ -	\$37,256,954
Food sales	-	1,053,520	-	-	1,053,520
Investment Income	166,875	-	111,009	886,211	1,164,095
Penalties, interest and other tax related income	178,542	-	76,069	-	254,611
Co-curricular student activities	192,733	246,174	-	-	438,907
Other	359,028	145	-	-	359,173
Total	<u>\$26,183,322</u>	<u>\$1,299,839</u>	<u>\$12,157,888</u>	<u>\$886,211</u>	<u>\$40,527,260</u>

**NOTE 16. UNEARNED REVENUE**

Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Athletic Receipts	\$ -	\$ -	\$ -	\$ -
Grant Funds	-	335	-	335
	<u>\$ -</u>	<u>\$ 335</u>	<u>\$ -</u>	<u>\$ 335</u>

**ARGYLE INDEPENDENT SCHOOL DISTRICT  
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**NOTE 17. JOINT VENTURES**

The District participates in a cooperative program with other local districts for special education services. The District does not account for revenue or expenditures of these programs and does not disclose them in these financial statements.

<u>Shared Service Agreement</u>	<u>Fiscal Agent</u>	<u>Service</u>
Denton County Special Education SSA	Sanger Independent School District	Special Education

**NOTE 18. CONSTRUCTION COMMITMENTS**

As of August 31, 2020, the District had entered into various construction contracts for construction and renovation of several campuses totaling \$66.9 million. At August 31, 2020, there was \$30.7 million remaining costs under these contracts. These costs will be paid from the District's Capital Projects Fund.

**NOTE 19. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION**

The Texas Education Agency requires the budgets for certain Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in three functional categories in the General Fund for the year ended August 31, 2020.

**NOTE 20. RISKS AND UNCERTAINTIES**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State in response to the Pandemic, which disaster declaration he has subsequently extended. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a series of executive orders relating to COVID-19 preparedness and mitigation. Under Executive Order GA-26, public schools, which ceased in-person instruction from the middle of March to the end of May and transitioned totally to remote instruction, resumed operations in the summer under protocols outlined in guidance from the TEA.

TEA has informed Texas school districts that COVID-19 related school closings and/or absenteeism will not impact ADA calculations and school funding so long as a school district commits to support students instructionally while they are at home. The District has developed remote instructional resources for its students and has begun delivering remote instruction in conjunction with in-person instruction. Therefore, the District does not anticipate a reduction in State funding as a result of the school closures at this time.

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

The District continues to monitor the spread of COVID-19 and is working with local, State and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the District. The District's bonded debt is secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

## REQUIRED SUPPLEMENTARY INFORMATION



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

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Pension Liability (Asset)	0.0151579%	0.0146501%	0.0130544%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 7,879,539	\$ 8,063,774	\$ 4,174,084
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	13,997,799	13,452,118	7,240,470
Total	<u>\$ 21,877,338</u>	<u>\$ 21,515,892</u>	<u>\$ 11,414,554</u>
District's Covered Payroll	\$ 18,784,061	\$ 16,734,151	\$ 14,644,772
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	41.95%	48.19%	28.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.24%	73.74%	82.17%

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

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

FY 2017		FY 2016		FY 2015	
Plan Year 2016		Plan Year 2015		Plan Year 2014	
	0.0116102%		0.0111012%		0.0066596%
\$	4,387,305	\$	3,924,126	\$	1,778,872
	7,994,231		7,393,173		6,078,977
\$	12,381,536	\$	11,317,299	\$	7,857,849
\$	12,899,112	\$	11,794,252	\$	10,825,100
	34.01%		33.27%		16.43%
	78.00%		78.43%		83.25%

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

	2020	2019	2018
Contractually Required Contribution	\$ 696,635	\$ 523,771	\$ 493,315
Contribution in Relation to the Contractually Required Contribution	(696,635)	(523,771)	(493,315)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 22,906,744	\$ 18,784,061	\$ 16,734,151
Contributions as a Percentage of Covered Payroll	3.04%	2.79%	2.95%

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

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

2017			2016		
2015					
\$	427,846	\$	369,953	\$	328,710
	(427,846)		(369,953)		(328,710)
\$	-	\$	-	\$	-
\$	14,644,772	\$	12,899,112	\$	11,794,252
	2.92%		2.87%		2.79%

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

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.0200598%	0.0183653%	0.0157086%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 9,486,522	\$ 9,169,939	\$ 6,831,065
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	12,605,465	15,044,751	12,089,311
Total	<u>\$ 22,091,987</u>	<u>\$ 24,214,690</u>	<u>\$ 18,920,376</u>
District's Covered Payroll	\$ 18,784,061	\$ 16,734,151	\$ 14,644,772
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	50.50%	54.80%	46.65%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.66%	1.57%	0.91%

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

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

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

	2020	2019	2018
Contractually Required Contribution	\$ 164,160	\$ 142,368	\$ 126,658
Contribution in Relation to the Contractually Required Contribution	(164,160)	(142,368)	(126,658)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 22,906,744	\$ 18,784,061	\$ 16,734,151
Contributions as a Percentage of Covered Payroll	0.72%	0.76%	0.76%

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

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

ARGYLE INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2020

PENSION LIABILITY:

*Changes of benefit terms:*

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

*Changes of assumptions:*

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

- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13<sup>th</sup> 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.

OPEB LIABILITY:

*Changes of benefit terms:*

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

*Changes of assumptions:*

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

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

## COMBINING SCHEDULES



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

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	266 ESSER -School Emergency Relief
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ 56,635	\$ (1,890)	\$ (37,626)
1240	Due from Other Governments	7,207	3,907	4,269	37,626
1260	Due from Other Funds	-	411	-	-
1000	Total Assets	<u>\$ 7,207</u>	<u>\$ 60,953</u>	<u>\$ 2,379</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ 14,612	\$ -	\$ -
2160	Accrued Wages Payable	6,496	38,537	2,145	-
2200	Accrued Expenditures	711	3,853	234	-
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	<u>7,207</u>	<u>57,002</u>	<u>2,379</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	3,951	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>3,951</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 7,207</u>	<u>\$ 60,953</u>	<u>\$ 2,379</u>	<u>\$ -</u>

397 Advanced Placement Incentives	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds	481 Local Grants	482 AEF Grants	Total Nonmajor Governmental Funds
\$ 2,324	\$ 335	\$ (40,900)	\$ 145,652	\$ 46,192	\$ 8,421	\$ 179,143
-	-	49,530	-	-	-	102,539
-	-	-	-	-	-	411
<u>\$ 2,324</u>	<u>\$ 335</u>	<u>\$ 8,630</u>	<u>\$ 145,652</u>	<u>\$ 46,192</u>	<u>\$ 8,421</u>	<u>\$ 282,093</u>
\$ -	\$ -	\$ 8,630	\$ 788	\$ 1,818	\$ -	\$ 25,848
-	-	-	-	-	-	47,178
-	-	-	-	-	-	4,798
-	335	-	-	-	-	335
<u>-</u>	<u>335</u>	<u>8,630</u>	<u>788</u>	<u>1,818</u>	<u>-</u>	<u>78,159</u>
2,324	-	-	-	-	-	6,275
-	-	-	144,864	44,374	8,421	197,659
<u>2,324</u>	<u>-</u>	<u>-</u>	<u>144,864</u>	<u>44,374</u>	<u>8,421</u>	<u>203,934</u>
<u>\$ 2,324</u>	<u>\$ 335</u>	<u>\$ 8,630</u>	<u>\$ 145,652</u>	<u>\$ 46,192</u>	<u>\$ 8,421</u>	<u>\$ 282,093</u>

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

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting	266 ESSER -School Emergency Relief
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 1,053,665	\$ -	\$ -
5800 State Program Revenues	-	48,633	-	-
5900 Federal Program Revenues	56,917	145,562	21,036	37,626
5020 Total Revenues	56,917	1,247,860	21,036	37,626
EXPENDITURES:				
Current:				
0011 Instruction	56,917	-	21,036	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0035 Food Services	-	1,379,853	-	-
0036 Extracurricular Activities	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	37,626
6030 Total Expenditures	56,917	1,379,853	21,036	37,626
1200 Net Change in Fund Balance	-	(131,993)	-	-
0100 Fund Balance - September 1 (Beginning)	-	135,944	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 3,951	\$ -	\$ -

397 Advanced Placement Incentives	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds	481 Local Grants	482 AEF Grants	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 168,063	\$ 55,111	\$ 23,000	1,299,839
3,844	360,075	49,530	-	-	-	462,082
-	-	-	-	-	-	261,141
3,844	360,075	49,530	168,063	55,111	23,000	2,023,062
-	360,075	-	-	9,176	22,996	470,200
1,840	-	-	-	-	-	1,840
-	-	-	-	-	-	1,379,853
-	-	-	145,418	38,850	-	184,268
-	-	49,530	-	-	-	87,156
1,840	360,075	49,530	145,418	48,026	22,996	2,123,317
2,004	-	-	22,645	7,085	4	(100,255)
320	-	-	122,219	37,289	8,417	304,189
\$ 2,324	\$ -	\$ -	\$ 144,864	\$ 44,374	\$ 8,421	203,934

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## REQUIRED T.E.A. SCHEDULES

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2011 and prior years	Various	Various	\$ Various
2012	1.040100	0.420000	1,107,579,468
2013	1.100100	0.380000	1,080,791,094
2014	1.100100	0.375000	1,097,782,231
2015	1.100100	0.470000	1,205,027,439
2016	1.100100	0.470000	1,347,215,082
2017	1.100100	0.470000	1,508,019,663
2018	1.100100	0.485000	1,800,073,084
2019	1.100100	0.485000	2,148,314,710
2020 (School year under audit)	1.023000	0.485000	2,424,156,654
1000 TOTALS			

(10) Beginning Balance 9/1/2019	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2020
\$ 88,387	\$ -	\$ 439	\$ 167	\$ (1,143)	\$ 86,638
21,487	-	445	180	-	20,862
28,778	-	469	162	-	28,147
65,427	-	30,318	10,336	-	24,773
91,221	-	34,801	14,869	12,202	53,753
103,267	-	50,842	21,722	26,261	56,964
135,277	-	70,313	30,041	37,866	72,789
125,560	-	51,331	22,631	36,077	87,675
267,200	-	122,313	53,927	38,649	129,609
-	35,431,765	24,924,871	11,816,776	1,633,936	324,054
<u>\$ 926,604</u>	<u>\$ 35,431,765</u>	<u>\$ 25,286,142</u>	<u>\$ 11,970,811</u>	<u>\$ 1,783,848</u>	<u>\$ 885,264</u>



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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,489,050	\$ 1,581,350	\$ 1,053,665	\$ (527,685)
5800 State Program Revenues	60,020	60,020	48,633	(11,387)
5900 Federal Program Revenues	160,000	160,000	145,562	(14,438)
5020 Total Revenues	1,709,070	1,801,370	1,247,860	(553,510)
EXPENDITURES:				
Current:				
0035 Food Services	1,834,639	1,793,639	1,379,853	413,786
6030 Total Expenditures	1,834,639	1,793,639	1,379,853	413,786
1200 Net Change in Fund Balances	(125,569)	7,731	(131,993)	(139,724)
0100 Fund Balance - September 1 (Beginning)	135,944	135,944	135,944	-
3000 Fund Balance - August 31 (Ending)	\$ 10,375	\$ 143,675	\$ 3,951	\$ (139,724)

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 11,775,000	\$ 11,775,000	\$ 12,157,888	\$ 382,888
5800 State Program Revenues	-	-	99,596	99,596
5020 Total Revenues	11,775,000	11,775,000	12,257,484	482,484
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	2,050,000	2,050,000	2,045,425	4,575
0072 Interest on Long-Term Debt	9,715,000	9,715,000	9,711,150	3,850
0073 Bond Issuance Cost and Fees	10,000	10,000	7,335	2,665
6030 Total Expenditures	11,775,000	11,775,000	11,763,910	11,090
1200 Net Change in Fund Balances	-	-	493,574	493,574
0100 Fund Balance - September 1 (Beginning)	3,576,540	3,576,540	3,576,540	-
3000 Fund Balance - August 31 (Ending)	\$ 3,576,540	\$ 3,576,540	\$ 4,070,114	\$ 493,574

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## COMPLIANCE AND INTERNAL CONTROL SECTION

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

To the Board of Trustees  
Argyle Independent School District  
Argyle, Texas

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 Argyle Independent School District, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise Argyle Independent School District's basic financial statements, and have issued our report dated December 8, 2020.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Hankins, Eastup, Deaton, Tonn & Seay, PC*

Hankins, Eastup, Deaton, Tonn & Seay, PC  
Denton, Texas

December 8, 2020

ARGYLE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF STATUS OF PRIOR FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2020

**Prior Year Finding:**

None



ARGYLE INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2020

**CORRECTIVE ACTION PLAN:**

None required.