

**Elgin Independent
School District**

**Annual Financial Report
for the Fiscal Year Ended
August 31, 2021**



Elgin Independent School District
Annual Financial Report
Year Ended August 31, 2021
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Certificate of Board

Elgin Independent School District

Name of School District

Bastrop

County

011-902

Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved ___disapproved for the fiscal year ended August 31, 2021 at a meeting of the Board of Trustees of such school district on the 13th day of December, 2021.


Signature of Board Secretary


Signature of Board President

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

Financial Section



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Accountants and Consultants

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Independent Auditors' Report

The Board of Trustees of
Elgin Independent School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, 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, the schedule of the District's proportionate share of the net pension liability, the schedule of District contributions - pensions, the schedule of the District's proportionate share of the net OPEB liability, the schedule of District contributions - OPEB, and the note to the required supplementary information on pages 5 through 12, 53, 54, 55, 56, and 57, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund statements and schedules, other schedules, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maxwell Locke + Ritter LLP

Austin, Texas
December 9, 2021

Elgin Independent School District Management's Discussion and Analysis

This section of Elgin Independent School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2021. Please read it in conjunction with the District's financial statements which follow this section.

Financial Highlights

- The District's net position at August 31, 2021 was approximately \$9.8 million.
- The fund balance for the General Fund at August 31, 2021 was approximately \$21.1 million, an increase of approximately \$2.0 million from the prior year.

Overview of the Financial Statements

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

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

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

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as uncollected property taxes.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes, intergovernmental revenues, and user fees and charges (governmental activities). The governmental activities of the District include the education of District students and the programs necessary to support such education.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The District maintains numerous governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service Fund as they are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget. Supplementary budgetary comparison statements have also been prepared for the Food Service and Debt Service Funds and are included in the Combining and Individual Fund Statements section of this report.

Fiduciary Funds - The District is the trustee, or *fiduciary*, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to Basic Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information - The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to basic financial statements. Certain information required by the Texas Education Agency and the federal government regarding tax collection and grant expenditures is also presented along with required supplementary information related to the District's contributions to a cost-sharing pension and OPEB plans with the Teacher Retirement System of Texas.

Government-Wide Financial Analysis

This two-year comparison provides an indication of the District's financial wellbeing. Increases and decreases in net position may serve over time as a useful indicator of a government's financial position. At August 31, 2021, the District's combined assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by approximately \$9.8 million, which is an increase of approximately \$5.2 million from the prior year combined net position of approximately \$4.6 million.

Net position at August 31, 2021 as compared to August 31, 2020, can be presented as follows:

**Elgin Independent School District's
Net Position**

	(in thousands)	
	August 31, 2021	August 31, 2020
Current assets:		
Cash and temporary investments	\$ 27,768	\$ 24,798
Property taxes, net	942	778
Due from other governments	1,023	1,176
Other assets	51	50
Total current assets	29,784	26,802
Non-current assets-		
Capital assets, net of accumulated depreciation	59,045	61,912
Total assets	\$ 88,829	\$ 88,714
Deferred outflows of resources:		
Deferred charges on refundings	\$ 917	\$ 1,145
Pension contributions after measurement date	1,191	1,141
Deferred outflows related to pension liability	4,645	6,166
OPEB contributions after measurement date	296	294
Deferred outflows related to OPEB liability	3,164	2,020
Total deferred outflows of resources	\$ 10,213	\$ 10,766
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,892	\$ 3,304
Bond interest payable	221	250
Bonds and accretion payable	4,929	4,833
Capital lease payable	685	589
Loans payable	294	262
Due to other governments	8	12
Unearned revenue	369	683
Total current liabilities	10,398	9,933
Long-term liabilities:		
Bonds and accretion payable	33,360	39,585
Capital lease payable	479	709
Loans payable	2,355	2,676
Net pension liability	14,866	14,544
Net OPEB liability	14,693	17,187
Total liabilities	\$ 76,151	\$ 84,634
Deferred inflows of resources:		
Deferred inflows related to pension liability	\$ 2,119	\$ 2,569
Deferred inflows related to OPEB liability	10,948	7,655
Total deferred inflows of resources	13,067	10,224
Net position:		
Net investment in capital assets	\$ 19,254	\$ 15,700
Restricted	3,304	2,625
Unrestricted	(12,734)	(13,703)
Total net position	\$ 9,824	\$ 4,622

The District covers 165 square miles and is located in the northwest portion of Bastrop County, with segments in eastern Travis County and southern Lee County. Property values have increased 56% in the last five years. Enrollment has increased by 12.4% over the last five years.

Investment in capital assets (e.g., land, construction in progress, buildings and improvements, and furniture and equipment) less any related debt used to acquire those assets that is still outstanding is \$19.3 million. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, generally property taxes, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, \$3.3 million, represents resources that are subject to external restrictions on how they may be used.

Net position may be restricted for a variety of uses by the District. These restrictions are imposed by bond covenants or grant agreements. Restricted net assets are available for use in the designated areas only. Unrestricted net position may be used by the District to meet ongoing operating obligations as determined by the Board of Trustees (the "Board").

Government-wide activities

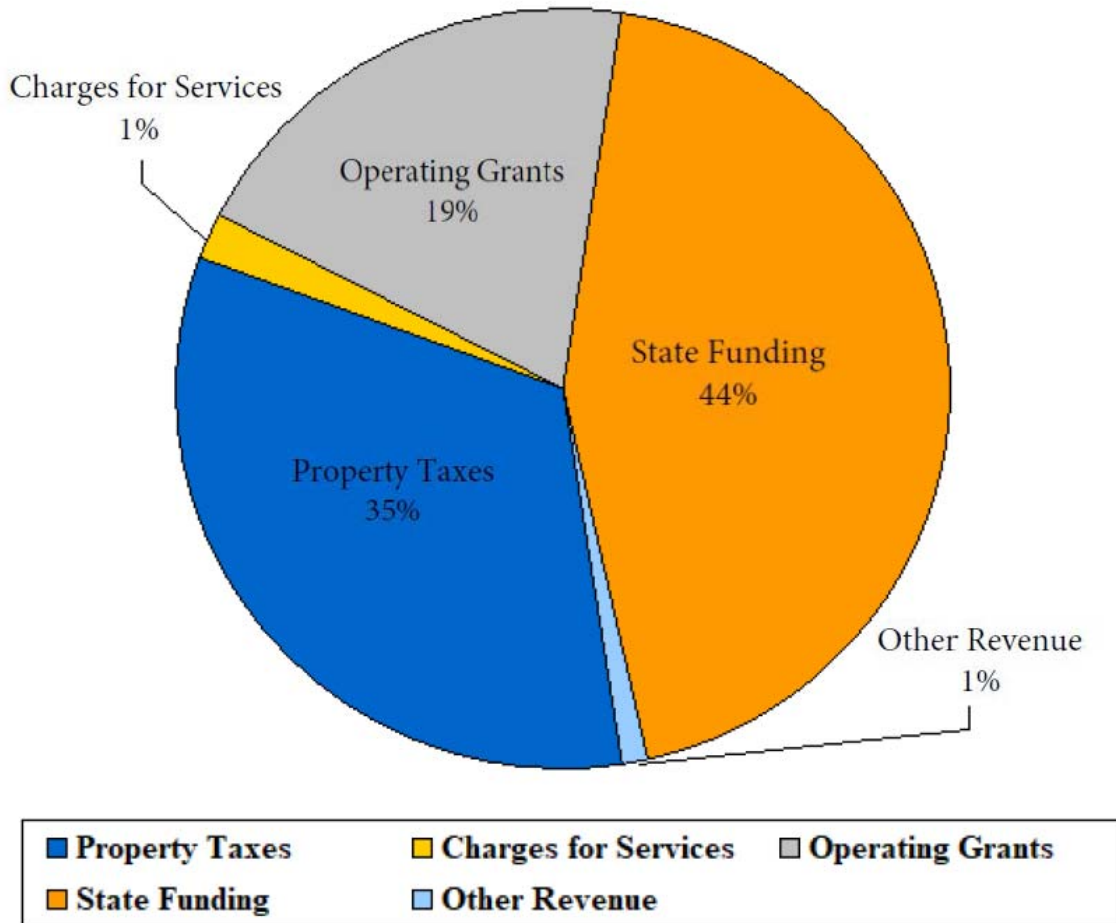
Governmental activities increased the District's net position by \$5.2 million for the year ended August 31, 2021. Key elements of this increase are as follows:

Elgin Independent School District's Changes in Net Position

	(in thousands)	
	Year Ended August 31, 2021	Year Ended August 31, 2020
Revenues:		
Program revenues:		
Charges for services	\$ 550	\$ 1,064
Operating grants and contributions	12,295	13,019
General revenues:		
Property taxes	23,575	22,000
State aid - formula grants	29,627	29,417
Investment earnings	228	426
Miscellaneous	442	283
Total revenues	66,717	66,209
Expenses:		
Instruction	31,988	31,740
Instructional resources and media services	585	642
Curriculum and staff development	1,583	1,475
Instructional leadership	2,360	2,460
School leadership	4,375	4,186
Guidance, counseling and evaluation services	1,830	1,694
Social work services	178	262
Health services	362	370
Student transportation	2,289	2,219
Food services	3,012	3,099
Extracurricular activities	1,557	1,546
General administration	2,403	2,323
Facilities maintenance and operations	5,522	5,287
Security and monitoring services	469	450
Data processing services	883	942
Community services	556	661
Debt service	1,244	1,330
Facilities acquisition and construction	-	18
Payments related to shared services arrangements	18	26
Other intergovernmental charges	301	293
Total governmental activities	61,515	61,023
Change in net position	5,202	5,186
Net position beginning	4,622	(564)
Net position ending	\$ 9,824	\$ 4,622

Overall property taxes account for 35% of the District's revenue sources while state funding represents 44%. Operating grants account for 19% of revenue sources.

Revenues by Type



Financial Analysis of the District's Funds

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

Governmental funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$24,572,220. Of this amount, \$20,807,305 constitutes unassigned fund balance available for use in the General Fund activities at the District's discretion. The remainder of the fund balance is nonspendable, restricted or assigned to indicate that it is nonspendable due to being in the form of inventory and prepaid items or it is not available for new spending because it will be used for debt service and other obligations of the District.

The Texas Education Agency recommends that districts keep a fund balance that is between 12% to 20% of annual general fund operating expenditures. As a measure of the General Fund's liquidity, unassigned fund balance represents 43% of the total General Fund expenditures.

The Debt Service Fund has a total fund balance of \$1,444,741, all of which is restricted for the payment of debt service.

Other governmental funds, which consist of Special Revenue Funds, have total fund balances of \$2,074,203, an increase of \$278,659 since last year. Combining schedules for the Special Revenue Funds are provided in this report on pages 58 through 65.

Budgetary Highlights

The District had general fund budget amendments during the 2020-21 fiscal year that increased the budgeted expenditures by \$1,777,743. Key differences between the final amended budget and actual amounts were due to unspent funds due to unfilled positions and continuations of the COVID-19 pandemic.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental activities at August 31, 2021 amounts to approximately \$59.0 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, and furniture and equipment.

**Elgin Independent School District
Capital Assets
(Net of accumulated depreciation)**

Land	\$ 1,485,355
Construction in progress	446,203
Buildings and improvements	53,864,043
Furniture and equipment	<u>3,249,546</u>
Total	<u>\$ 59,045,147</u>

Additional information on the District's capital assets can be found in Note 7 of this report.

Long-term Debt

At the end of the current fiscal year the District had total bonded debt outstanding of approximately \$34.4 million. The bonded debt constitutes a direct obligation of the District from a continuing, direct ad valorem tax levied against all taxable property of the District without legal limit as to rate or amount. The bonds are also guaranteed by the corpus of the Permanent School fund of the State of Texas. Both Standard & Poor's Rating Services and Moody's Investors Services have provided bond ratings of AA- and Aa3, respectively, to the District's outstanding debt obligations.

Additional information on the District's long-term debt can be found in Note 9 of this report.

Economic Factors and Next Year's Budgets and Rates

The District is experiencing economic and student growth due to its close proximity to Austin, Texas. This growth is anticipated to continue with the construction of the Tesla manufacturing facility in nearby Travis County and the Samsung plant scheduled to be constructed in neighboring Taylor, Texas.

- Certified net taxable property value increased for tax year 2021-2022 to \$1.9 billion, an increase of 17.7%
- The General Fund budget for operating expenditures was \$51,522,535 for 2021-2022, an increase of 4.9%.
- The District is anticipating an increase in enrollment of 5.4% for 2021-2022.

These indicators were taken into account when adopting the General Fund operating budget for 2021-2022. In the original approved budget, estimated revenues for 2021-2022 are approximately \$51,561,500, which are \$38,964 greater than budgeted expenditures excluding expenditures for authorized construction.

The 86th Legislative Session brought significant changes to the Texas school finance system including some increased funding and significant property tax rate compression. As a result of the session, the District's Maintenance and Operations tax rate was further compressed due to the property value growth. The District adopted an operating tax rate of \$0.9603 and a debt service rate of \$.4682 for the 2021-2022 fiscal year. This results in a reduction of 3.22 cents per \$100 valuation.

The District provided raises for all employees and the Teacher Salary Scale was increased by \$1,200 per step and the employees on this scale received a step increase based on the new scale. All other employees received a 2% increase based on the midpoint of their pay scale.

As part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the District received funding from the Elementary and Secondary School Emergency Relief Fund (ESSER) in the amount of \$772,275 in 2019-2020. The District also received funds from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) ESSER II in the amount of \$3,157,389 and the American Rescue Plan Act (ARP) ESSER III in the amount of \$7,093,339 in 2020-2021. ESSER II funds will continue through the 2022-2023 fiscal year and ESSER III funds will continue through 2023-2024 fiscal year. The ESSER grant funds are fund sources that are separate from the Foundation School Program (FSP) allotment. However, local educational agencies (LEA) are able to utilize ESSER funds as a method of finance which will assist in maintaining current district operations and helping combat learning loss for future years.

In early 2021, the Board of Trustees called for a Bond Election in November 2021, to provide funds for two additional elementary schools, expansion and upgrades to Elgin High School, a fine arts addition at Elgin High School, a new transportation facility, Career and Technology Education (CTE) improvements, district-wide renovations, and a new multi-purpose recreational and extracurricular facility. Many of these facilities will help with the projected growth in Elgin ISD.

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 demonstrate 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 Services Department at Elgin Independent School District: (512) 281-3434.

Basic Financial Statements

Elgin Independent School District
Statement of Net Position
August 31, 2021

	<u>Governmental Activities</u>
Assets:	
Cash and temporary investments	\$ 27,768,230
Receivables:	
Property taxes - delinquent	1,402,400
Allowance for uncollectible taxes	(459,987)
Due from other governments	1,022,902
Other	117
Inventory	11,559
Prepaid items	38,335
Capital assets (net of accumulated depreciation):	
Land	1,485,355
Construction in progress	446,203
Buildings and improvements	53,864,043
Furniture and equipment	3,249,546
Total assets	88,828,703
Deferred Outflows of Resources:	
Deferred charges on bond refundings	917,271
Pension contributions after measurement date	1,191,049
Deferred outflows related to pension liability	4,644,828
OPEB contributions after measurement date	295,547
Deferred outflows related to OPEB liability	3,164,242
Total deferred outflows of resources	10,212,937
Liabilities:	
Current liabilities:	
Accounts payable	1,517,654
Payroll deductions and withholdings	324,245
Accrued wages payable	2,050,247
Bond interest payable	220,719
Bonds payable	4,185,000
Accretion payable	744,425
Capital lease payable	685,321
Loans payable	293,518
Due to other governments	8,011
Unearned revenue	368,766
Noncurrent liabilities:	
Bonds payable	33,359,902
Capital lease payable	478,343
Loans payable	2,355,354
Net pension liability	14,865,753
Net OPEB liability	14,693,360
Total liabilities	76,150,618
Deferred Inflows of Resources:	
Deferred inflows related to pension liability	2,119,496
Deferred inflows related to OPEB liability	10,947,794
Total deferred outflows of resources	13,067,290
Net Position:	
Net investment in capital assets	19,254,207
Restricted for:	
Debt service	1,478,685
Food service	1,825,591
Unrestricted	(12,734,751)
Total net position	\$ 9,823,732

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

Elgin Independent School District
Statement of Activities
Year Ended August 31, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities:				
Instruction	\$ 31,988,034	212,465	5,763,453	(26,012,116)
Instructional resources and media services	585,575	-	34,111	(551,464)
Curriculum and staff development	1,582,832	254,326	697,801	(630,705)
Instructional leadership	2,359,484	-	585,236	(1,774,248)
School leadership	4,375,094	36,566	510,694	(3,827,834)
Guidance, counseling, and evaluation services	1,830,454	-	287,284	(1,543,170)
Social work services	177,829	700	15,722	(161,407)
Health services	362,389	-	23,753	(338,636)
Student transportation	2,288,551	-	131,686	(2,156,865)
Food services	3,012,156	9,345	3,065,849	63,038
Extracurricular activities	1,556,633	36,326	48,123	(1,472,184)
General administration	2,403,419	400	93,676	(2,309,343)
Facilities maintenance and operations	5,521,839	-	237,766	(5,284,073)
Security and monitoring services	468,743	-	93,199	(375,544)
Data processing services	882,926	-	37,560	(845,366)
Community services	556,092	-	212,396	(343,696)
Debt service	1,243,892	-	150,035	(1,093,857)
Facilities acquisition and construction	-	-	306,538	306,538
Payments related to shared services arrangements	18,066	-	-	(18,066)
Other intergovernmental charges	300,829	-	-	(300,829)
Total governmental activities	\$ 61,514,837	550,128	12,294,882	(48,669,827)
General revenues:				
Property taxes levied for general purposes				\$ 16,371,691
Property taxes levied for debt service				7,203,325
State aid-formula grants				29,627,218
Investment earnings				227,719
Miscellaneous				441,570
Total general revenues				53,871,523
Change in net position				5,201,696
Net position - beginning				4,622,036
Net position - ending				\$ 9,823,732

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

Elgin Independent School District
Balance Sheet
Governmental Funds
August 31, 2021

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and temporary investments	\$ 23,928,329	1,668,538	2,171,363	27,768,230
Receivables:				
Property taxes - delinquent	1,023,438	378,962	-	1,402,400
Allowance for uncollectible taxes	(335,688)	(124,299)	-	(459,987)
Due from other governments	221,416	11,342	790,144	1,022,902
Due from other funds	286,206	30,000	-	316,206
Other	97	-	20	117
Inventory	-	-	11,559	11,559
Prepaid items	38,335	-	-	38,335
Total assets	<u>\$ 25,162,133</u>	<u>1,964,543</u>	<u>2,973,086</u>	<u>30,099,762</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,280,827	950	235,877	1,517,654
Payroll deductions and withholdings	324,245	-	-	324,245
Accrued wages payable	1,778,066	-	272,181	2,050,247
Due to other funds	30,000	-	286,206	316,206
Due to other governments	7,969	-	42	8,011
Unearned revenue	-	264,189	104,577	368,766
Total liabilities	<u>3,421,107</u>	<u>265,139</u>	<u>898,883</u>	<u>4,585,129</u>
Deferred inflows of resources-				
Deferred revenue - property taxes	687,750	254,663	-	942,413
Fund balances:				
Nonspendable:				
Inventory	-	-	11,559	11,559
Prepaid items	38,335	-	-	38,335
Restricted for:				
Retirement of long-term debt	-	1,444,741	-	1,444,741
Food service	-	-	1,814,032	1,814,032
Assigned to:				
Authorized construction	207,636	-	-	207,636
Campus activities	-	-	248,612	248,612
Unassigned	20,807,305	-	-	20,807,305
Total fund balances	<u>21,053,276</u>	<u>1,444,741</u>	<u>2,074,203</u>	<u>24,572,220</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 25,162,133</u>	<u>1,964,543</u>	<u>2,973,086</u>	

Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	\$ 59,045,147
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	942,413
The following liabilities and deferred inflows and outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable, including premiums	(37,544,902)
Less: Deferred charges on refundings	917,271
Accretion payable	(744,425)
Bond interest payable	(220,719)
Capital lease payable	(1,163,664)
Loans payable	(2,648,872)
Net pension liability	(14,865,753)
Pension contributions after measurement date	1,191,049
Deferred outflows related to pension liability	4,644,828
Deferred inflows related to pension liability	(2,119,496)
Net OPEB liability	(14,693,360)
OPEB contributions after measurement date	295,547
Deferred outflows related to OPEB liability	3,164,242
Deferred inflows related to OPEB liability	(10,947,794)
Net position of governmental activities	<u>\$ 9,823,732</u>

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

Elgin Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended August 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Local and intermediate sources	\$ 17,050,745	7,195,741	384,034	24,630,520
State program revenues	31,944,894	150,035	322,244	32,417,173
Federal program revenues	1,143,536	-	8,001,407	9,144,943
Total revenues	<u>50,139,175</u>	<u>7,345,776</u>	<u>8,707,685</u>	<u>66,192,636</u>
Expenditures:				
Current:				
Instruction	26,042,157	-	2,989,392	29,031,549
Instructional resources and media services	522,887	-	4,178	527,065
Curriculum and staff development	593,492	-	925,103	1,518,595
Instructional leadership	1,678,287	-	494,579	2,172,866
School leadership	3,640,512	-	301,041	3,941,553
Guidance, counseling, and evaluation services	1,456,990	-	208,261	1,665,251
Social work services	159,077	-	3,725	162,802
Health services	318,711	-	3,629	322,340
Student transportation	2,347,252	-	10,191	2,357,443
Food services	-	-	2,788,018	2,788,018
Extracurricular activities	1,410,143	-	91,959	1,502,102
General administration	2,174,648	-	-	2,174,648
Facilities maintenance and operations	4,999,257	-	38,113	5,037,370
Security and monitoring services	388,142	-	77,360	465,502
Data processing services	800,148	-	-	800,148
Community services	328,311	-	186,939	515,250
Debt service	1,085,133	7,071,610	-	8,156,743
Facilities acquisition and construction	439,700	-	306,538	746,238
Payments related to shared services arrangements	18,066	-	-	18,066
Other intergovernmental charges	300,829	-	-	300,829
Total expenditures	<u>48,703,742</u>	<u>7,071,610</u>	<u>8,429,026</u>	<u>64,204,378</u>
Excess of revenues over expenditures	<u>1,435,433</u>	<u>274,166</u>	<u>278,659</u>	<u>1,988,258</u>
Other Financing Sources-				
Proceeds from capital lease	558,769	-	-	558,769
Total other financing sources	<u>558,769</u>	<u>-</u>	<u>-</u>	<u>558,769</u>
Net change in fund balances	1,994,202	274,166	278,659	2,547,027
Fund balances - beginning	19,059,074	1,170,575	1,795,544	22,025,193
Fund balances - ending	<u>\$ 21,053,276</u>	<u>1,444,741</u>	<u>2,074,203</u>	<u>24,572,220</u>

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

Elgin Independent School District
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended August 31, 2021

Net change in fund balances-total governmental funds	\$	2,547,027
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay		1,402,934
Disposal of capital assets		(28,755)
Depreciation expense		(4,240,785)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred tax revenue		163,889
Bond, loan, and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		
Repayment of bond, loan, and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Repayment of bond principal		5,396,016
Proceeds from capital lease		(558,769)
Repayment of loan agreement principal		289,373
Repayment of capital lease principal		693,321
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accretion payable		172,539
Change in bond interest payable		29,937
Amortization of deferred charges on bond refundings		(227,503)
Amortization of bond premiums		559,168
Pension contributions made during the measurement year		1,145,236
Change in pension contributions made after the measurement date		50,060
Proportionate share of collective pension expense		(1,467,086)
Adjustment for ending deferred inflows and outflows related to net pension liability		(1,070,956)
OPEB contributions made during the measurement year		293,806
Change in OPEB contributions made after the measurement date		1,242
Proportionate share of collective OPEB expense		2,199,371
Adjustment for ending deferred inflows and outflows related to net OPEB liability		(2,148,369)
Change in net position of governmental activities	\$	<u><u>5,201,696</u></u>

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

Elgin Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended August 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Local and intermediate sources	\$ 16,434,900	16,479,910	17,050,745	570,835
State program revenues	31,935,600	31,935,600	31,944,894	9,294
Federal program revenues	1,142,100	1,358,587	1,143,536	(215,051)
Total revenues	<u>49,512,600</u>	<u>49,774,097</u>	<u>50,139,175</u>	<u>365,078</u>
Expenditures:				
Current:				
Instruction	25,946,205	26,936,367	26,042,157	894,210
Instructional resources and media services	569,108	526,860	522,887	3,973
Curriculum and staff development	789,655	714,605	593,492	121,113
Instructional leadership	1,855,787	1,770,642	1,678,287	92,355
School leadership	3,699,029	3,705,452	3,640,512	64,940
Guidance, counseling, and evaluation services	1,662,633	1,522,881	1,456,990	65,891
Social work services	217,734	169,252	159,077	10,175
Health services	379,803	331,803	318,711	13,092
Student transportation	1,967,273	2,409,405	2,347,252	62,153
Extracurricular activities	1,381,263	1,577,792	1,410,143	167,649
General administration	2,197,751	2,436,030	2,174,648	261,382
Facilities maintenance and operations	5,246,250	5,401,331	4,999,257	402,074
Security and monitoring services	536,212	537,695	388,142	149,553
Data processing services	955,907	934,709	800,148	134,561
Community services	403,721	416,801	328,311	88,490
Debt service	981,383	1,101,541	1,085,133	16,408
Facilities acquisition and construction	660,401	733,692	439,700	293,992
Payments related to shared services arrangements	30,000	30,000	18,066	11,934
Other intergovernmental charges	300,000	301,000	300,829	171
Total expenditures	<u>49,780,115</u>	<u>51,557,858</u>	<u>48,703,742</u>	<u>2,854,116</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(267,515)</u>	<u>(1,783,761)</u>	<u>1,435,433</u>	<u>3,219,194</u>
Other Financing Sources-				
Proceeds from capital lease	-	558,769	558,769	-
Total other financing sources	<u>-</u>	<u>558,769</u>	<u>558,769</u>	<u>-</u>
Net change in fund balance	(267,515)	(1,224,992)	1,994,202	3,219,194
Fund balance - beginning	<u>19,059,074</u>	<u>19,059,074</u>	<u>19,059,074</u>	<u>-</u>
Fund balance - ending	<u>\$ 18,791,559</u>	<u>17,834,082</u>	<u>21,053,276</u>	<u>3,219,194</u>

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

Elgin Independent School District
Statement of Fiduciary Net Position
Custodial Fund
August 31, 2021

	<u>Custodial Fund</u>
Assets-	
Cash and temporary investments	\$ 32,390
Total assets	<u>32,390</u>
Net Position-	
Restricted for-	
Student groups	<u>32,390</u>
Total net position	<u>\$ 32,390</u>

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

Elgin Independent School District
Statement of Changes in Fiduciary Net Position
Custodial Fund
August 31, 2021

	<u>Custodial Fund</u>
Additions-	
Enterprising services	\$ 8,028
Total additions	<u>8,028</u>
Deductions-	
Other expenses	<u>7,810</u>
Total deductions	<u>7,810</u>
Net increase in fiduciary net position	218
Total net position - beginning	<u>32,172</u>
Total net position - ending	<u><u>\$ 32,390</u></u>

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

**Notes to the
Basic Financial Statements**

Elgin Independent School District

Notes to Basic Financial Statements Year Ended August 31, 2021

1. Summary of Significant Accounting Policies

The Financial Reporting Entity

This report includes those activities, organizations and functions which are related to the Elgin Independent School District (the “District”) and which are controlled by or dependent upon the District’s governing body, the Board of Trustees (the “Board”). The Board, a seven-member group, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds. However, the District is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board (“GASB”), since Board members are elected by the public and have decision making authority. There are no component units included within the reporting entity.

The accounting policies of the District comply with the rules prescribed by the Texas Education Agency’s (“TEA”) Financial Accountability System Resource Guide. These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which 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 has no business-type activities.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include state and federal program revenues and interest income. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District reports the following major governmental funds:

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balance is considered resources available for current operations.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due. It is a budgeted fund.

Additionally, the District reports the following fund types:

Special Revenue Funds are governmental funds which include resources restricted, committed, or assigned for specific purposes by a grantor or the Board. Federally financed programs where unused balances are returned to the grantor at the close of specified project periods are accounted for in these funds. The District uses project accounting to maintain integrity for the various sources of funds.

The Custodial Fund is a fiduciary fund and is used to account for activities of student groups and other types of activities requiring clearing accounts.

Budgetary Information

Budgets are prepared annually for the General Fund, Debt Service Fund, and Food Service Fund (special revenue fund) on the modified accrual basis, which is consistent with generally accepted accounting principles. A formal budget is prepared by August 20th and is adopted by the Board at a public meeting after ten days public notice of the meeting has been given. The legal level of control for budgeted expenditures is the function level within the budgeted funds. Amendments to the budget are required prior to expending amounts greater than the budgeted amounts at the function level. Budgets are controlled at the departmental or campus level, the same level at which responsibility for operations is assigned. The budget was amended by the Board as needed throughout the year.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31st, and encumbrances outstanding at that time are to be either canceled or provided for in the subsequent year's budget. There were no material outstanding encumbrances at August 31, 2021 that were provided for in the subsequent year's budget.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Investments - Temporary investments throughout the year consisted of investments in external local government investment pools. External local government investment pools are recognized at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policy. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Inventories - Inventories consist of expendable supplies held for consumption. Inventories are charged to expenditures when consumed. Supply inventory is recorded at cost using the FIFO method. Federal food commodities inventory is stated at fair value and at year-end is recorded as unearned revenue. Revenue is recognized at fair value when commodities are distributed to schools.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are charged to expenditures when consumed.

Capital Assets - Capital assets, which include land, construction in progress, buildings and improvements, and furniture and equipment, are reported in the governmental activities column in the government-wide financial statements. The District has no infrastructure assets. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000. Such assets are recorded at historical cost if purchased or at acquisition value at the date of donation, if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Capital assets (other than land and construction in progress) are depreciated using the straight line method over the following estimated useful lives: buildings and improvements - 10 to 30 years, furniture and equipment - 5 to 15 years.

Ad Valorem Property Taxes - Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Accumulated Sick Leave Liability - The State of Texas (the "State") has created a minimum sick leave program consisting of five days of sick leave per year with no limit on accumulation and transferability among districts for every person regularly employed in Texas public schools. Each district's local board is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the State minimum. The District's policy is not to provide reimbursement upon termination of employment with the District. Accordingly, no liability for accrued compensated absences has been established by the District.

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

Other Post-Retirement Benefits - The fiduciary net position of the 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 other post-employment benefits ("OPEB") liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

Fund Equity/Net Position - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 10 for additional information on those fund balance classifications.

Deferred Outflows and Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 8, Note 12 and Note 13 for additional information on deferred inflows and outflows of resources.

Fair Value Measurements - The District complies with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Use of Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended August 31, 2022.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for fiscal years beginning after June 15, 2022. The objective of GASB Statement No. 96 is to improve accounting and financial reporting by establishing a definition for a subscription-based information technology arrangement (“SBITA”) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. GASB Statement No. 96 will require a government to report a right-to-use subscription asset as an intangible asset and a corresponding subscription liability for a SBITA, and also require certain disclosures about the SBITA. GASB Statement No. 96 also provides capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. Management is evaluating the effects that the full implementation of GASB Statement No. 96 will have on its financial statements for the year ended August 31, 2023.

2. Cash and Temporary Investments

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy, which is approved annually by the Board. The primary objectives of the District’s investment strategy, in order of priority, are preservation and safety of principal, liquidity and yield.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy:

- Obligations of, or guaranteed by, governmental entities
- Certificates of deposit and share certificates
- Fully collateralized repurchase agreements
- Banker’s acceptance
- Commercial paper
- Money market funds and no-load mutual funds
- Public funds investment pools

The District’s funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District’s agent 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 dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance. Therefore, the District is not exposed to custodial credit risk.

Under the depository contract, the District, at its own discretion, may invest funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At August 31, 2021, the carrying amount of the District’s deposits was \$17,315,428 and the bank balance was \$17,530,558.

The District’s deposits with financial institutions at August 31, 2021 and during the year ended August 31, 2021 were entirely covered by FDIC insurance or by pledged collateral held by the District’s agent bank in the District’s name. The deposits were collateralized in accordance with Texas law and TEA maintains copies of all safekeeping receipts in the name of the District.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- Name of depository bank: Prosperity Bank
- Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$23,756,174.
- Largest cash, savings and time deposit combined account balance amounted to \$17,530,558 and occurred during the month of August 2021.
- Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

Investments held at August 31, 2021 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor’s Rating
Local governmental investment pools:			
TexasDAILY	\$ 5,241	1	AAAf
Lone Star	<u>10,479,951</u>	1	AAA
Total	<u><u>\$ 10,485,192</u></u>		

The District had investments in two external local government investment pools at August 31, 2021: TexasDAILY Local Investment Pool (“TexasDAILY”) and Lone Star Investment Pool (“Lone Star”). Although Lone Star is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC’s Rule 2a7-of the Investment Company Act of 1940. These investments are stated at amortized cost in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Texas TERM is organized in conformity with the Public Funds Investment Act. Texas TERM provides for a fixed rate, fixed-term investment for a period of 60 days to one year. TexasDAILY is a portfolio of Texas TERM and provides daily access to funds. Texas TERM is overseen by an advisory board composed of participants and non-participant members elected by the participant shareholders of Texas TERM. The advisory board is responsible for the overall management of Texas TERM, including formulation and implementation of its investment and operating policies. In addition, the advisory board members select and oversee the activities of the investment advisor and custodian of Texas TERM and monitor investment performance and the method of valuing the shares. Texas TERM is a floating net assets value fund, which is a non-2a7 fund. It is a fundamental objective of Texas TERM to assure the return of principal and interest at the date planned for redemption of shares; however the net asset value of shares may fluctuate prior to the planned redemption date.

Lone Star is governed by an eleven member board of trustees, in which all of the members are also participants in Lone Star. The board meets quarterly to review operations, adopt or make changes to the investment policy, review financial activity and approve contractor agreements. Lone Star also has an advisory board consisting of participants and nonparticipants. RBC Dain Rauscher, Inc. is an independent consultant for Lone Star that reviews daily operations, analyzes all investment transactions for compliance with the Public Funds Investment Act, and performs monitoring activities. The Bank of New York provides custody and valuation services for Lone Star. American Beacon Advisors and Standish Mellon provide other investment management services. Lone Star's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

In accordance with GASB Statement No. 79, the external local government investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

Credit Risk - At August 31, 2021, investments were included in external local government investment pools in compliance with the District's investment policy.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent not in the District's name. At August 31, 2021, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. Government. At August 31, 2021, all of the District's investments were in external local government investment pools.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the investment policy requires that maturities for internally created pool fund groups will not exceed the dollar weighted average maturity of 180 days. Maturities of any other individual investment owned by the District should not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits. The District considers the holdings in the external local government investment pools to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. At August 31, 2021, investments were included in external local government investment pools which have a weighted average maturity of 1 day for TexasDAILY and Lone Star.

3. Property Taxes

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code (the “Code”) which established a county-wide appraisal district and an appraisal review board in each county in the State. The Bastrop Central Appraisal District (the “Appraisal District”) is responsible for the recording and appraisal of all property in the District. Under the Code, the District’s Board sets the tax rates on property and the Appraisal District’s tax department provides tax collection services. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every four years. Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Property taxes are levied as of October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, and penalties and interest that are ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60 day period after the end of the District’s fiscal year. The assessed value at January 1, 2020, upon which the October 2020 levy was based, was \$1,722,980,353. The District levied taxes based on a combined tax rate of \$1.4607 per \$100 of assessed valuation for local maintenance (general governmental services) and debt service.

The 86th session of the Texas Legislature convened in January 2019, with school finance reform as a critical priority. House Bill 3 (HB 3), passed by the 86th Texas Legislature, was one of the most transformative Texas education bills in recent history infusing more than \$11 billion into the public school system. HB 3 provided more money for Texas classrooms through an increase in the basic allotment for each student from \$5,140 to \$6,160, increased teacher compensation, funds free full-day Pre-K for eligible 4-year-olds, reduced the amount of money wealthy districts must spend to subsidize poor districts through the state’s recapture program, and cut local property taxes for Texas taxpayers. In summary, the bill focused on four major policy areas: teacher support, improving student outcomes, increasing funding, and reduction and reform of property taxes and recapture.

HB3 amended the Education Code to transfer certain sections from Chapter 41 to Chapter 49 and revised formulas used to determine excess local revenue under the Foundation School Program (FSB). The formula for recapture is now local revenue in excess of entitlement instead of wealth per weighted average daily attendance (WADA) basis. Under HB 3, recapture and non-recapture school districts are treated more equitably, and districts only pay tier one recapture on the amount above their formula entitlement. HB 3 modifies local revenue subject to recapture to be local revenue in excess of entitlement and is calculated by subtracting a district's tier one entitlement (and credit for appraisal costs) from its available school fund (ASF) distribution and local fund assignment. The District had no recapture liability at August 31, 2021.

4. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. These amounts are reported in the basic financial statements as Due from Other Governments and are summarized below at August 31, 2021.

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Federal and state grants	\$ 189,210	-	790,144	979,354
Other	32,206	11,342	-	43,548
Total	<u>\$ 221,416</u>	<u>11,342</u>	<u>790,144</u>	<u>1,022,902</u>

5. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.” The composition of interfund balances at August 31, 2021 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 286,206
Debt Service Fund	General Fund	30,000
Total		<u>\$ 316,206</u>

6. Unearned Revenue

At August 31, 2021, unearned revenue in governmental funds consisted of the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Federal and state grants	\$ -	264,189	104,577	368,766

7. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases and Transfers</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,485,355	-	-	1,485,355
Construction in progress	4,265,443	396,620	(4,215,860)	446,203
Total capital assets, not being depreciated	<u>5,750,798</u>	<u>396,620</u>	<u>(4,215,860)</u>	<u>1,931,558</u>
Capital assets, being depreciated:				
Buildings and improvements	104,295,459	354,607	4,215,860	108,865,926
Furniture and equipment	8,862,184	651,707	(181,731)	9,332,160
Total capital assets, being depreciated	<u>113,157,643</u>	<u>1,006,314</u>	<u>4,034,129</u>	<u>118,198,086</u>
Less accumulated depreciation for:				
Buildings and improvements	(51,488,804)	(3,513,079)	-	(55,001,883)
Furniture and equipment	(5,507,884)	(727,706)	152,976	(6,082,614)
Total accumulated depreciation	<u>(56,996,688)</u>	<u>(4,240,785)</u>	<u>152,976</u>	<u>(61,084,497)</u>
Total capital assets, being depreciated, net	<u>56,160,955</u>	<u>(3,234,471)</u>	<u>4,187,105</u>	<u>57,113,589</u>
Governmental activities capital assets, net	<u>\$ 61,911,753</u>	<u>(2,837,851)</u>	<u>(28,755)</u>	<u>59,045,147</u>

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

Governmental activities:

Instruction	\$ 2,227,140
Instructional resources and media services	44,604
Curriculum and staff development	50,626
Instructional leadership	143,162
School leadership	310,545
Guidance, counseling, and evaluation services	124,285
Social work services	13,570
Health services	27,187
Student transportation	200,227
Food services	237,826
Extracurricular activities	120,289
General administration	185,503
Facilities maintenance and operations	426,450
Security and monitoring services	33,110
Data processing services	68,255
Community services	28,006
	<u> </u>
Total depreciation expense - governmental activities	<u><u>\$ 4,240,785</u></u>

8. Deferred Charges on Bond Refundings

The following is a summary of changes in deferred charges on bond refundings for the year ended August 31, 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Deferred charges on bond refundings	<u>\$ 1,144,774</u>	<u>-</u>	<u>(227,503)</u>	<u>917,271</u>

9. Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended August 31, 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
General obligation bonds	\$ 39,836,016	-	(5,396,016)	34,440,000
Premium on bonds	3,664,070	-	(559,168)	3,104,902
Loans payable	2,938,245	-	(289,373)	2,648,872
Accretion payable	916,964	131,445	(303,984)	744,425
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u><u>\$ 47,355,295</u></u>	<u><u>131,445</u></u>	<u><u>(6,548,541)</u></u>	<u><u>40,938,199</u></u>

Bonded debt consists of the following at August 31, 2021:

General obligation bonds:						
Series	Date of Issue	Amounts of Original Issue	Matures Through	Interest Rate	Outstanding at 8-31-21	Due Within One Year
2012	6-1-12	\$ 8,860,000	2028	2.50 - 3.50%	\$ 3,175,000	\$ 520,000
2013	5-16-13	8,430,000	2028	2.00 - 3.50%	6,945,000	95,000
2014	6-5-14	8,720,000	2026	2.00 - 4.00%	7,775,000	1,295,000
2015	9-29-15	8,220,000	2025	2.00 - 4.00%	3,935,000	935,000
2016A	10-13-16	7,785,000	2029	2.00 - 4.00%	6,865,000	775,000
2016B	12-29-16	8,135,000	2024	4.00%	1,270,000	-
2017	5-4-17	<u>6,040,000</u>	2028	3.00 - 4.00%	<u>4,475,000</u>	<u>565,000</u>
Total		<u>\$ 56,190,000</u>			<u>\$ 34,440,000</u>	<u>\$ 4,185,000</u>

For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District without limitation as to rate. The Texas Education Code generally prohibits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District's tax bond indebtedness exceeds \$0.50 per \$100 of assessed valuation of taxable property within the District. The District's debt service rate for the current year is \$0.4482.

In July 2021, the District made early payments of \$904,385 on its Series 2012 bonds prior to its scheduled maturity date. This included \$860,000 and \$44,385 of principal and accrued interest, respectively. The Series 2012 bonds paid had maturity dates of August 2024 and August 2025. These early payments resulted in overall debt service savings of \$78,214. In addition, the \$860,000 of redeemed bonds are considered defeased at August 31, 2021.

The annual principal installments for each of the outstanding issues vary each year. At August 31, 2021, the debt service requirements of bonded indebtedness to maturity are as follows:

Year Ended August 31,	Principal	Interest	Total
2022	\$ 4,185,000	2,013,600	6,198,600
2023	5,130,000	1,070,075	6,200,075
2024	4,875,000	885,675	5,760,675
2025	4,975,000	705,125	5,680,125
2026	4,605,000	551,300	5,156,300
2027 - 2029	<u>10,670,000</u>	<u>652,351</u>	<u>11,322,351</u>
Total	<u>\$ 34,440,000</u>	<u>5,878,126</u>	<u>40,318,126</u>

The outstanding Series 2014 Bonds include both Serial and Capital Appreciation Bonds. The interest shown above, with respect to the Capital Appreciation Bonds, includes the interest to be paid on bonds maturing in the respective years and does not include accrued interest on bonds not maturing in those years.

As of August 31, 2021, there were no general obligation bonds authorized by voters of the District, but unissued.

During the year ended August 31, 2019, the District entered into a loan agreement with the Texas State Energy Conservation Office (“SECO”). SECO advanced \$2,551,141 and \$525,755 to the District during the years ended August 31, 2019 and 2020, respectively, for a maximum funding amount of \$3,076,896. The rate of interest on the loan is 2% and principal and interest payments of \$86,291 are due in quarterly installments beginning on August 3, 2020 through February 28, 2030. At August 31, 2021, the remaining payments are as follows:

Year Ended August 31,	Principal	Interest	Total
2022	\$ 293,518	51,646	345,164
2023	299,432	45,731	345,163
2024	305,466	39,697	345,163
2025	311,621	33,542	345,163
2026	317,901	27,263	345,164
2027 - 2030	1,120,934	44,042	1,164,976
Total	<u>\$ 2,648,872</u>	<u>241,921</u>	<u>2,890,793</u>

The following is a summary of changes in capital leases payable for the year ended August 31, 2021:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital lease payable	<u>\$ 1,298,216</u>	<u>558,769</u>	<u>(693,321)</u>	<u>1,163,664</u>

The District financed the purchase of copiers through a capital lease agreement (the “Copier Agreement”) with a finance company. The purchase price of the copiers was \$515,275 which equates to the capital lease principal amount. Under the terms of the Copier Agreement, principal and interest payments of \$9,415 are due monthly beginning on July 15, 2017 through June 15, 2022. At the end of the lease term, the District has a bargain purchase option allowing the District to purchase all copiers for one dollar. The effective interest rate on the lease is 3.49%.

The District financed the purchase of maintenance vehicles through a capital lease agreement (the “Vehicle Agreement”) with a finance company. The purchase price of the vehicles was \$136,010 which equates to the capital lease principal amount. Under the terms of the Vehicle Agreement, principal and interest payments of \$2,442 are due monthly beginning on June 26, 2017 through May 26, 2022. At the end of the lease term, the District has a bargain purchase option allowing the District to acquire the vehicles for no consideration. The effective interest rate on the lease is 2.98%.

The District financed the purchase of school buses through a capital lease agreement (the “Bus Agreement”) with a finance company. The purchase price of the buses was \$991,570 which equates to the capital lease principal amount. Under the terms of the Bus Agreement, principal and interest payments of \$207,342 are due annually beginning on September 20, 2017 through September 20, 2021. At the end of the lease term, the District has a bargain purchase option allowing the District to acquire the buses for no consideration. The effective interest rate on the lease is 2.50%.

The District financed the purchase of Chromebook laptops through a capital lease agreement (the “Laptop Agreement”) with a finance company. The purchase price of the laptops was \$958,955 which equates to the capital lease principal amount. Under the terms of the Laptop Agreement, principal and interest payments of \$208,400 are due annually beginning on August 1, 2018 through August 1, 2022. At the end of the lease term, the District has a bargain purchase option allowing the District to acquire the server for no consideration. The effective interest rate on the lease is 7.97%.

The District financed the purchase of a server through a capital lease agreement (the “VxRail Agreement”) with a finance company. The purchase price of the server was \$311,009 which equates to the capital lease principal amount. Under the terms of the VxRail Agreement, principal and interest payments of \$68,235 are due annually beginning on December 1, 2019 through December 1, 2023. The effective interest rate on the lease is 4.751%.

The District financed the purchase of copiers through a capital lease agreement (the “EIS Copier Agreement”) with a finance company. The purchase price of the copiers was \$24,525 which equates to the capital lease principal amount. Under the terms of the EIS Copier Agreement, principal payments of \$1,021 are due monthly beginning on June 1, 2020 through May 1, 2022. At the end of the lease term, the District has a bargain purchase option allowing the District to acquire the copiers for \$1. The lease has a fixed payment with no interest.

The District financed the purchase of laptops through a capital lease agreement (the “Laptop Agreement 2”) with a finance company. The purchase price of the laptops was \$279,116 which equates to the capital lease principal amount. Under the terms of the Laptop Agreement 2, principal and interest payments of \$60,021 are due annually beginning on April 23, 2021 through April 23, 2025. At the end of the lease term, the District has a bargain purchase option allowing the District to acquire the laptops for \$1. The effective interest rate on the lease is 2.15%.

The District financed the purchase of laptops through a capital lease agreement (the “Laptop Agreement 3”) with a finance company. The purchase price of the laptops was \$279,653 which equates to the capital lease principal amount. Under the terms of the Laptop Agreement 3, principal and interest payments of \$60,136 are due annually beginning on April 23, 2021 through April 23, 2025. At the end of the lease term, the District has a bargain purchase option allowing the District to acquire the laptops for \$1. The effective interest rate on the lease is 2.15%.

Capital lease payment requirements are as follows:

Year Ended August 31,	Principal	Interest	Total
2022	\$ 685,321	41,844	727,165
2023	169,617	18,776	188,393
2024	176,677	11,716	188,393
2025	132,049	4,358	136,407
Total	<u>\$ 1,163,664</u>	<u>76,694</u>	<u>1,240,358</u>

10. Fund Balances

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances are included in the Governmental Funds Balance Sheet on page 15.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board may also assign fund balance for a specific purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

11. Revenues from Local and Intermediate Sources

For the year ended August 31, 2021, revenues from local and intermediate sources in governmental funds consisted of the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 16,010,196	7,061,852	-	23,072,048
Food service	-	-	9,345	9,345
Investment income	199,316	6,011	22,392	227,719
Penalties, interest, and other tax related income	242,756	96,323	-	339,079
Tuition and fees from patrons	212,465	-	-	212,465
Co-curricular student activities	210	-	36,115	36,325
Other	385,802	31,555	316,182	733,539
Total	<u>\$ 17,050,745</u>	<u>7,195,741</u>	<u>384,034</u>	<u>24,630,520</u>

12. Defined Benefit Pension Plans

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by TRS and 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.

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 TRS.

Pension Plan Fiduciary Net Position

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

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

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

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

Contributions

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

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

	<u>2020</u>	<u>2021</u>
Contribution Rates:		
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
FY 2021 District Contributions		\$ 1,191,049
FY 2021 Member Contributions		\$ 2,610,682
FY 2021 NECE On-behalf Contributions		\$ 1,876,312

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

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

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.5% of the member’s salary beginning in fiscal year 2020, gradually increasing to 2% in fiscal year 2025.
- When employing a retiree of TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

The total pension liability in the August 31, 2019 actuarial valuation rolled forward to August 31, 2020 was determined using the following actuarial assumptions:

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

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

Discount Rate

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

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

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in TRS' target asset allocation as of August 31, 2020 are summarized below.

Asset Class	FY2020 Target Allocation (1)	Long-Term Expected Geometric Real Rate of Return (2)	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18%	3.9%	0.99%
Non-U.S. Developed	13%	5.1%	0.92%
Emerging Markets	9%	5.6%	0.83%
Private Equity	14%	6.7%	1.41%
Stable Value			
Government Bonds	16%	(0.7%)	(0.05%)
Absolute Return (including Credit Sensitive Investments)	0%	1.8%	0%
Stable Value Hedge Funds	5%	1.9%	0.11%
Real Return			
Real Estate	15%	4.6%	1.02%
Energy, Natural Resources and Infrastructure	6%	6%	0.42%
Commodities	0%	0.8%	0%
Risk Parity			
Risk Parity	8%	3%	0.3%
Asset Allocation Leverage			
Cash	2%	(1.5%)	(0.03%)
Asset Allocation Leverage	(6%)	(1.3%)	0.08%
Inflation Expectation			2%
Volatility Drag (3)			(0.67%)
Expected Return	<u>100%</u>	<u></u>	<u>7.33%</u>

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

(2) Capital Market Assumptions come from Aon Hewitt (as of August 31, 2020)

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

Discount Rate Sensitivity Analysis

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

	<u>1% Decrease in Discount Rate (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase in Discount Rate (8.25%)</u>
District's proportionate share of the net pension liability	\$ 22,922,725	\$ 14,865,753	\$ 8,319,640

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

At August 31, 2021, the District reported a liability of \$14,865,753 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 14,865,753
State's proportionate share that is associated with the District	<u>22,332,570</u>
Total	<u>\$ 37,198,323</u>

The net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2019 through August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.0278% which was a decrease of 0.0002% from its proportion measured as of August 31, 2019.

Changes Since the Prior Actuarial Valuation

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

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

For the year ended August 31, 2021, the District recognized pension expense of \$2,533,795 and revenue of \$2,686,112 for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 27,144	\$ 414,864
Changes in actuarial assumptions	3,449,384	1,466,654
Difference between projected and actual investment earnings	300,944	-
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	867,356	237,978
Contributions paid to TRS subsequent to the measurement date	<u>1,191,049</u>	<u>-</u>
Total	<u>\$ 5,835,877</u>	<u>\$ 2,119,496</u>

The \$1,191,049 reported as 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 year ended August 31, 2022. The net amounts of the employer’s balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Pension Expense Amount</u>
Year ended August 31:	
2022	\$ 784,398
2023	912,147
2024	801,111
2025	196,096
2026	(160,475)
Thereafter	(7,945)

13. 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 OPEB plan that has a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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

OPEB Plan Fiduciary Net Position

Detailed information about TRS-Care's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/Pages/about_publications.aspx; 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 and charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

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

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

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

Contributions

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

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

	2020	2021
Contribution Rates:		
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%
FY 2021 District Contributions		\$ 295,547
FY 2021 Member Contributions		\$ 220,367
FY 2021 NECE On-behalf Contributions		\$ 312,719

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 employers hire a TRS retiree, they 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 \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

Actuarial Assumptions

The total OPEB liability in the August 31, 2019 actuarial valuation was rolled forward to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions:

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

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

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.33%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs
Projected Salary Increases	3.05% to 9.05%, including inflation
Healthcare Trend Rates	4.25% to 9.00%
Election Rates	Normal retirement: 65% participation prior to age 65 and 40% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Ad hoc post-employment benefit changes	None

Assumption changes include a discount rate change from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020, participation rates were updated, and trend rates were updated as a result of Congress' repeal of the excise tax on high-cost plans in December 2019.

Discount Rate

A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of 0.30% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of August 31, 2020.

See Note 12 for the best estimate of geometric real rates of return for each major asset class included in the TRS target asset allocation as of August 31, 2020.

Sensitivity Analysis

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

	<u>1% Decrease in Discount Rate (1.33%)</u>	<u>Discount Rate (2.33%)</u>	<u>1% Increase in Discount Rate (3.33%)</u>
District's proportionate share of the net OPEB liability	\$ 17,631,999	\$ 14,693,360	\$ 12,372,258

Healthcare Cost Trend Rates - The following schedule shows the impact of the Net OPEB Liability if the healthcare cost trend rate that is 1% lower than and 1% higher than the assumed healthcare cost trend rate is used in measuring the Net OPEB Liability.

	<u>1% Decrease in Healthcare Cost Trend Rate</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase in Healthcare Cost Trend Rate</u>
District's proportionate share of the net OPEB liability	\$ 12,002,593	\$ 14,693,360	\$ 18,277,082

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

At August 31, 2021, the District reported a liability of \$14,693,360 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 14,693,360
State's proportionate share that is associated with the District	<u>19,744,354</u>
Total	<u><u>\$ 34,437,714</u></u>

The net OPEB liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The 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, 2019 through August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net OPEB liability was 0.0387% which was an increase of 0.0024% from the proportion measured as of August 31, 2019.

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

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

For the year ended August 31, 2021, the District recognized OPEB expense of (\$50,479) and revenue of (\$137,097) for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ 769,339	\$ 6,724,433
Changes in actuarial assumptions	906,275	4,034,873
Difference between projected and actual investment earnings	4,775	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,483,853	188,488
Contributions paid to TRS subsequent to the measurement date	<u>295,547</u>	<u>-</u>
Total	<u>\$ 3,459,789</u>	<u>\$ 10,947,794</u>

The \$295,547 reported as 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 year ended August 31, 2022. The net amounts of the employer’s balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPEB Expense Amount</u>
Year ended August 31:	
2022	\$ (1,357,585)
2023	(1,358,223)
2024	(1,358,588)
2025	(1,358,488)
2026	(966,025)
Thereafter	(1,384,643)

14. Health Care Coverage

During the year ended August 31, 2021, employees of the District were covered by a health insurance plan (the “Health Plan”). The District contributed \$375 per month per employee to the Health Plan, and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All contributions were paid to a licensed insurer. The Health Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The District recognizes as revenues and expenditures retiree drug subsidy reimbursements under the provisions of Medicare Part D made by the federal government to TRS on behalf of the District. For the year ended August 31, 2021, reimbursements of \$150,349 were received by TRS and allocated to the District.

15. Risk Management

The District’s risk management program includes coverages through third party insurance providers for property, automobile liability, school professional liability, crime, workers compensation and other miscellaneous bonds. During the year ended August 31, 2021, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents, and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

The District participates in a public entity risk pool for its workers compensation insurance (the Worker's Compensation Plan"), administered by the Texas Association of School Boards Worker's Compensation Self-Insurance Fund. The District pays overhead expenses annually and actual claims liabilities up to a maximum amount determined annually. Claims in excess of the District's guaranteed annual cap are paid by the pool. The Worker's Compensation Plan is documented by contractual agreement. The contract between the District, the licensed insurer and other participants of the self-funded pool is renewable in September 2022, and the terms of coverage and contributions and premium costs are included in the contractual provisions. Under the Worker's Compensation Plan, the District's estimated aggregate liability is \$264,771 for fiscal year 2020-21 of which \$116,570 has been paid. The District's estimated outstanding loss and aggregate liability at August 31, 2021 was \$155,099 and is reflected with accounts payable in the District's governmental funds balance sheet.

16. Tax Abatements

On December 17, 2018, the District's Board approved an agreement with East Blackland Solar Project 1 LLC ("East Blackland Solar") for a Limitation On Appraised Value of Property for School District Maintenance and Operations pursuant to Chapter 313 of the Texas Tax Code, i.e. the Texas Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended. East Blackland Solar qualified for a tax limitation agreement under Texas Tax Code Section 313.024(b)(5), as a renewable energy electric generation project.

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for maintenance and operations for a period of years specified in statute. The projects under the Chapter 313 agreement must be consistent with the State of Texas' goal to encourage large scale capital investments in the state. Chapter 313 of the Texas Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

In order to qualify for a value limitation agreement, each applicant, including East Blackland Solar, has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application's approval, the agreement was found to have done so by both the District's Board and the Texas Comptroller's Office, which recommended approval of the project.

After approval, the applicant company must maintain a viable presence in the district for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual basis in order to ensure relevant job, wage, and operational requirements are being met.

In the event that East Blackland Solar terminates the agreement without the consent of the District, or in the event that East Blackland Solar or its successor-in-interest fails to comply in any material respect with the terms of the agreement or to meet any material obligation under this agreement, then the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of this agreement together with the payment of penalty and interest, on that recaptured ad valorem tax revenue. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code Section 33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code Section 33.01(c), or its successor statute. The agreement provides an administrative procedure to determine any company liability. Ultimately, enforcement of any payment obligation is through the local state district court.

As of August 31, 2021 there have been no value limitations on the taxable value of the property as the value limitation period is expected to begin on the project during the 2021 tax year (2021-2022 school year.) During the value limitation period, the appraised value used for the District’s maintenance and operations tax levy will not exceed \$20 million. The District received a supplemental payment of \$100,000 during the year ended August 31, 2021 related to this agreement.

17. Commitments and Contingencies

The District participates in a number of federal financial assistance programs. Although the District’s grant programs have been audited in accordance with the provisions of the Uniform Guidance through August 31, 2021, these programs are subject to financial and compliance audits. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

At August 31, 2021, the District was obligated under operating leases for certain office equipment. Rent expenditures incurred under operating leases for the year ended August 31, 2021 were \$8,449. Future minimum lease payments on these operating leases is as follows:

2022	\$ 6,600
2023	5,444
2024	1,976
2025	329
Total	<u>\$ 14,349</u>

At August 31, 2021, the District is also committed under construction contracts with a remaining balance of \$28,044.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the world. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. Therefore, while this issue may negatively impact the District's results of operations and financial position, the related financial impact cannot be reasonably concluded at this time. The District is actively managing its operations to maintain its cash flow and management believes that the District has adequate liquidity.

18. Shared Services Arrangements

The District participates in a Shared Services Arrangement which provides speech therapists for special education to member districts, including Hays Consolidated ISD, Bastrop ISD, La Grange ISD, Smithville ISD, the City of Bastrop, the City of Smithville, Bastrop County and Region XIII Education Service Center. All services are provided by the fiscal agent and the member districts provide the funds to the fiscal agent.

**Required
Supplementary Information**

Elgin Independent School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Teacher Retirement System of Texas
8/31/2021**

	2020*	2019*	2018*	2017*	2016*	2015*	2014*	2013*
District's proportion of the net pension liability	0.0278%	0.0280%	0.0280%	0.0288%	0.0256%	0.0258%	0.0164%	0.0164%
District's proportionate share of the net pension liability \$	14,865,753	14,543,903	15,422,514	9,198,367	9,684,542	9,127,203	4,377,302	5,374,968
State's proportionate share of the net pension liability associated with the District	22,332,570	19,453,222	20,804,609	12,605,874	15,052,449	13,887,393	11,787,479	14,469,625
Total	<u>\$ 37,198,323</u>	<u>33,997,125</u>	<u>36,227,123</u>	<u>21,804,241</u>	<u>24,736,991</u>	<u>23,014,596</u>	<u>16,164,781</u>	<u>19,844,593</u>
District's covered payroll (for Measurement Year)	\$ 32,505,449	28,753,440	27,729,952	27,678,861	25,591,885	23,761,108	22,326,922	21,154,912
District's proportionate share of the net pension liability as a percentage of its covered payroll	45.73%	50.58%	55.62%	33.23%	37.84%	38.41%	19.61%	25.41%
Plan fiduciary net position as a percentage of the total pension liability	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%	78.17%
Plan's net pension liability as a percentage of covered payroll	110.36%	114.93%	126.11%	75.93%	92.75%	91.94%	72.90%	93.10%

* The amounts presented for each Plan year are as of August 31, plan information was unavailable prior to 2013.

** Schedule should provide ten years of Plan information, but data was unavailable prior to 2013.

Elgin Independent School District
Schedule of District Contributions - Pensions
Teacher Retirement System of Texas
Last 10 Fiscal Years

	2021	2020	2019	2018	2017
Contractually required contributions	\$ 1,191,049	\$ 1,140,989	\$ 980,350	\$ 946,437	\$ 942,838
Contributions in relation to the contractual required contributions	1,191,049	1,140,989	980,350	946,437	942,838
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 33,904,909	\$ 32,505,449	\$ 28,753,440	\$ 27,729,952	\$ 27,678,861
Contributions as a percentage of covered payroll	3.51%	3.51%	3.41%	3.41%	3.41%
	2016	2015	2014	2013	2012
Contractually required contributions	\$ 814,257	\$ 764,556	\$ 426,572	\$ 488,370	\$ 274,011
Contributions in relation to the contractual required contributions	814,257	764,556	426,572	488,370	274,011
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	25,591,885	23,761,108	22,326,922	21,154,912	20,034,111
Contributions as a percentage of covered payroll	3.18%	3.22%	1.91%	2.31%	1.37%

Elgin Independent School District
Schedule of the District's Proportionate Share of the Net OPEB Liability
Teacher Retirement System of Texas
8/31/2021**

	<u>2020*</u>	<u>2019*</u>	<u>2018*</u>	<u>2017*</u>
District's proportion of the net OPEB liability	0.0387%	0.0363%	0.0359%	0.0364%
District's proportionate share of the net OPEB liability	\$ 14,693,360	\$ 17,186,537	\$ 17,947,152	\$ 15,829,161
State's proportionate share of the net OPEB liability associated with the District	<u>19,744,354</u>	<u>22,837,063</u>	<u>22,664,976</u>	<u>20,614,642</u>
Total	<u><u>\$ 34,437,714</u></u>	<u><u>\$ 40,023,600</u></u>	<u><u>\$ 40,612,128</u></u>	<u><u>\$ 36,443,803</u></u>
District's covered payroll (for Measurement Year)	\$ 32,505,449	\$ 28,753,440	\$ 27,729,952	\$ 27,678,861
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	45.20%	59.77%	64.72%	57.19%
Plan fiduciary net position as a percentage of the total OPEB liability	4.99%	2.66%	1.57%	0.91%
Plan's net OPEB liability as a percentage of covered payroll	101.46%	135.21%	146.64%	132.55%

* The amounts presented for each Plan year are as of August 31, plan information was unavailable prior to 2017.

** Schedule should provide ten years of Plan information, but data was unavailable prior to 2017.

Elgin Independent School District
Schedule of District Contributions - OPEB
Teacher Retirement System of Texas
Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 295,547	\$ 294,305	\$ 257,557	\$ 241,095	\$ 182,234
Contributions in relation to the contractual required contributions	<u>295,547</u>	<u>294,305</u>	<u>257,557</u>	<u>241,095</u>	<u>182,234</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 33,904,909	\$ 32,505,449	\$ 28,753,440	\$ 27,729,952	\$ 27,678,861
Contributions as a percentage of covered payroll	0.87%	0.91%	0.90%	0.87%	0.66%

*Note: No information was available for fiscal years prior to August 31, 2017.

Elgin Independent School District

Note to Required Supplementary Information Year Ended August 31, 2021

1. Change in Assumptions

Pensions

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

OPEB

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

**Combining and
Individual Fund Statements**

Elgin Independent School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
August 31, 2021

	206	211	212	224	225	226	240	242
	Education for Homeless Children and Youth	Title I Grants to Local Educational Agencies	Migrant Education State Grant Program	Special Education Grants to States	Special Education Preschool Grants	Special Education Grants to States - High Cost	National School Breakfast and Lunch Program	Summer Food Service Program for Children
Assets:								
Cash and temporary investments	\$ -	-	-	-	-	-	1,240,560	586,538
Receivables:								
Due from other governments	-	77,739	10,005	103,071	-	-	210,526	-
Other	-	-	-	-	-	-	20	-
Inventory	-	-	-	-	-	-	-	11,559
Total assets	<u>\$ -</u>	<u>77,739</u>	<u>10,005</u>	<u>103,071</u>	<u>-</u>	<u>-</u>	<u>1,451,106</u>	<u>598,097</u>
Liabilities and fund balances:								
Liabilities:								
Accounts payable	\$ -	674	-	20,790	-	-	134,594	287
Accrued wages payable	-	7,227	-	32,806	-	-	67,034	-
Due to other funds	-	69,838	10,005	49,475	-	-	-	-
Due to other governments	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	21,697	-
Total liabilities	<u>-</u>	<u>77,739</u>	<u>10,005</u>	<u>103,071</u>	<u>-</u>	<u>-</u>	<u>223,325</u>	<u>287</u>
Fund balances:								
Nonspendable	-	-	-	-	-	-	-	11,559
Restricted	-	-	-	-	-	-	1,227,781	586,251
Assigned	-	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,227,781</u>	<u>597,810</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>77,739</u>	<u>10,005</u>	<u>103,071</u>	<u>-</u>	<u>-</u>	<u>1,451,106</u>	<u>598,097</u>

(continued)

Elgin Independent School District
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
August 31, 2021

	244	255	263	265	266	272	281	282	287	288
	Career and Technical Education Basic Grants to States	Improving Teacher Quality State Grants	English Language Acquisition State Grants	21st Century Community Learning Centers	Education Stabilization Fund - ESSER I	Medical Assistance Program	Education Stabilization Fund - ESSER II	Education Stabilization Fund - ESSER III	Farm to School Grant Program	Office School Violence Prevention Program
Assets:										
Cash and temporary investments	\$ -	-	-	-	-	42,857	-	-	-	-
Receivables:										
Due from other governments	-	15,300	16,059	69,757	-	-	82,897	140,622	-	55,862
Other	-	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>15,300</u>	<u>16,059</u>	<u>69,757</u>	<u>-</u>	<u>42,857</u>	<u>82,897</u>	<u>140,622</u>	<u>-</u>	<u>55,862</u>
Liabilities and fund balances:										
Liabilities:										
Accounts payable	\$ -	-	-	5,850	-	-	1,737	3,352	-	55,862
Accrued wages payable	-	-	-	31,247	-	-	81,160	52,707	-	-
Due to other funds	-	15,300	16,059	32,660	-	-	-	84,563	-	-
Due to other governments	-	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	42,857	-	-	-	-
Total liabilities	<u>-</u>	<u>15,300</u>	<u>16,059</u>	<u>69,757</u>	<u>-</u>	<u>42,857</u>	<u>82,897</u>	<u>140,622</u>	<u>-</u>	<u>55,862</u>
Fund balances:										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>15,300</u>	<u>16,059</u>	<u>69,757</u>	<u>-</u>	<u>42,857</u>	<u>82,897</u>	<u>140,622</u>	<u>-</u>	<u>55,862</u>

(continued)

Elgin Independent School District
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
August 31, 2021

	289	385	410	429	461	491	492
	Student Support and Academic Enrichment Program	State Supplemental Visually Impaired	Instructional Materials Allotment	State Funded Special Revenue	Campus Activity	Dyslexic Program	TWC
Assets:							
Cash and temporary investments	\$ -	-	20,032	9,479	261,343	10,000	-
Receivables:							
Due from other governments	8,306	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Total assets	<u>\$ 8,306</u>	<u>-</u>	<u>20,032</u>	<u>9,479</u>	<u>261,343</u>	<u>10,000</u>	<u>-</u>
Liabilities and fund balances:							
Liabilities:							
Accounts payable	\$ -	-	-	-	12,731	-	-
Accrued wages payable	-	-	-	-	-	-	-
Due to other funds	8,306	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-
Unearned revenue	-	-	20,032	9,479	-	10,000	-
Total liabilities	<u>8,306</u>	<u>-</u>	<u>20,032</u>	<u>9,479</u>	<u>12,731</u>	<u>10,000</u>	<u>-</u>
Fund balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Assigned	-	-	-	-	248,612	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>248,612</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 8,306</u>	<u>-</u>	<u>20,032</u>	<u>9,479</u>	<u>261,343</u>	<u>10,000</u>	<u>-</u>

(continued)

Elgin Independent School District
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
August 31, 2021

	493	494	495	
	San Marcos Civic Foundation Grant	Bastrop County Cares	Michael and Susan Dell Foundation	Total Special Revenue Funds
Assets:				
Cash and temporary investments	\$ 42	512	-	2,171,363
Receivables:				
Due from other governments	-	-	-	790,144
Other	-	-	-	20
Inventory	-	-	-	11,559
Total assets	<u>\$ 42</u>	<u>512</u>	<u>-</u>	<u>2,973,086</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ -	-	-	235,877
Accrued wages payable	-	-	-	272,181
Due to other funds	-	-	-	286,206
Due to other governments	42	-	-	42
Unearned revenue	-	512	-	104,577
Total liabilities	<u>42</u>	<u>512</u>	<u>-</u>	<u>898,883</u>
Fund balances:				
Nonspendable	-	-	-	11,559
Restricted	-	-	-	1,814,032
Assigned	-	-	-	248,612
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,074,203</u>
Total liabilities and fund balances	<u>\$ 42</u>	<u>512</u>	<u>-</u>	<u>2,973,086</u>

Elgin Independent School District
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended August 31, 2021

	206	211	212	224	225	226	240	242
	Education for Homeless Children and Youth	Title I Grants to Local Educational Agencies	Migrant Education State Grant Program	Special Education Grants to States	Special Education Preschool Grants	Special Education Grants to States - High Cost	National School Breakfast and Lunch Program	Summer Food Service Program for Children
Revenues:								
Local and intermediate sources	\$ -	-	-	-	-	-	38,825	13,523
State program revenues	-	-	-	-	-	-	37,122	-
Federal program revenues	28,151	951,600	89,439	872,478	536	130,080	411,436	2,676,320
Total revenues	28,151	951,600	89,439	872,478	536	130,080	487,383	2,689,843
Expenditures:								
Current:								
Instruction	28,151	364,707	44,045	598,372	536	130,080	-	-
Instructional resources and media services	-	4,178	-	-	-	-	-	-
Curriculum and staff development	-	439,720	170	14,620	-	-	-	-
Instructional leadership	-	132,840	45,224	136,529	-	-	-	-
School leadership	-	-	-	-	-	-	-	-
Guidance, counseling and evaluation services	-	-	-	122,957	-	-	-	-
Social work services	-	-	-	-	-	-	-	-
Health services	-	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-	-
Food services	-	-	-	-	-	-	409,398	2,378,620
Extracurricular activities	-	-	-	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-	-	38,113	-
Security and monitoring services	-	-	-	-	-	-	-	-
Community services	-	10,155	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	20,916	-
Total expenditures	28,151	951,600	89,439	872,478	536	130,080	468,427	2,378,620
Other Financing Sources (Uses)- Transfers in (out)	-	-	-	-	-	-	(36,571)	36,571
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	-	(17,615)	347,794
Fund balances - beginning	-	-	-	-	-	-	1,245,396	250,016
Fund balances - ending	\$ -	-	-	-	-	-	1,227,781	597,810

(continued)

Elgin Independent School District
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
Year Ended August 31, 2021

	244	255	263	265	266	272	281	282	287	288
	Career and Technical Education Basic Grants to States	Improving Teacher Quality State Grants	English Language Acquisition State Grants	21st Century Community Learning Centers	Education Stabilization Fund - ESSER I	Medical Assistance Program	Education Stabilization Fund - ESSER II	Education Stabilization Fund - ESSER III	Farm to School Grant Program	Office School Violence Prevention Program
Revenues:										
Local and intermediate sources	\$ -	-	-	-	-	-	-	-	-	-
State program revenues	-	-	-	-	-	-	-	-	-	-
Federal program revenues	61,912	109,416	162,004	1,335,968	545,736	6,194	82,897	140,622	23,091	314,150
Total revenues	61,912	109,416	162,004	1,335,968	545,736	6,194	82,897	140,622	23,091	314,150
Expenditures:										
Current:										
Instruction	59,412	-	88,705	846,958	545,736	-	82,897	63,587	9,571	-
Instructional resources and media services	-	-	-	-	-	-	-	-	-	-
Curriculum and staff development	2,500	103,240	66,381	-	-	-	-	25,693	-	-
Instructional leadership	-	-	-	143,689	-	6,194	-	29,849	254	-
School leadership	-	2,976	-	261,509	-	-	-	-	-	-
Guidance, counseling and evaluation services	-	3,200	-	-	-	-	-	18,472	-	-
Social work services	-	-	-	-	-	-	-	3,021	-	-
Health services	-	-	-	3,629	-	-	-	-	-	-
Student transportation	-	-	-	10,191	-	-	-	-	-	-
Food services	-	-	-	-	-	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-	-	-	-	-	-
Security and monitoring services	-	-	-	-	-	-	-	-	-	28,528
Community services	-	-	6,918	69,992	-	-	-	-	13,266	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	285,622
Total expenditures	61,912	109,416	162,004	1,335,968	545,736	6,194	82,897	140,622	23,091	314,150
Other Financing Sources (Uses)- Transfers in (out)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	-	-	-	-	-
Fund balances - beginning	-	-	-	-	-	-	-	-	-	-
Fund balances - ending	\$ -	-	-	-	-	-	-	-	-	-

(continued)

Elgin Independent School District
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
Year Ended August 31, 2021

	289	385	410	429	461	491	492
	Student Support and Academic Enrichment Program	State Supplemental Visually Impaired	Instructional Materials Allotment	State Funded Special Revenue	Campus Activity	Dyslexic Program	TWC
Revenues:							
Local and intermediate sources	\$ -	-	-	-	40,093	-	-
State program revenues	-	900	54,345	143,269	-	-	86,608
Federal program revenues	59,377	-	-	-	-	-	-
Total revenues	<u>59,377</u>	<u>900</u>	<u>54,345</u>	<u>143,269</u>	<u>40,093</u>	<u>-</u>	<u>86,608</u>
Expenditures:							
Current:							
Instruction	10,545	810	51,120	64,160	-	-	-
Instructional resources and media services	-	-	-	-	-	-	-
Curriculum and staff development	-	90	3,225	15,131	-	-	-
Instructional leadership	-	-	-	-	-	-	-
School leadership	-	-	-	-	-	-	-
Guidance, counseling and evaluation services	-	-	-	63,632	-	-	-
Social work services	-	-	-	-	-	-	-
Health services	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-
Food services	-	-	-	-	-	-	-
Extracurricular activities	-	-	-	346	91,613	-	-
Facilities maintenance and operations	-	-	-	-	-	-	-
Security and monitoring services	48,832	-	-	-	-	-	-
Community services	-	-	-	-	-	-	86,608
Facilities acquisition and construction	-	-	-	-	-	-	-
Total expenditures	<u>59,377</u>	<u>900</u>	<u>54,345</u>	<u>143,269</u>	<u>91,613</u>	<u>-</u>	<u>86,608</u>
Other Financing Sources (Uses)- Transfers in (out)	-	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	(51,520)	-	-
Fund balances - beginning	-	-	-	-	300,132	-	-
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>248,612</u>	<u>-</u>	<u>-</u>

(continued)

Elgin Independent School District
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
Year Ended August 31, 2021

	493	494	495	Total Special Revenue Funds
	San Marcos Civic Foundation Grant	Bastrop County Cares	Michael and Susan Dell Foundation	
Revenues:				
Local and intermediate sources	\$ -	704	290,889	384,034
State program revenues	-	-	-	322,244
Federal program revenues	-	-	-	8,001,407
Total revenues	<u>-</u>	<u>704</u>	<u>290,889</u>	<u>8,707,685</u>
Expenditures:				
Current:				
Instruction	-	-	-	2,989,392
Instructional resources and media services	-	-	-	4,178
Curriculum and staff development	-	-	254,333	925,103
Instructional leadership	-	-	-	494,579
School leadership	-	-	36,556	301,041
Guidance, counseling and evaluation services	-	-	-	208,261
Social work services	-	704	-	3,725
Health services	-	-	-	3,629
Student transportation	-	-	-	10,191
Food services	-	-	-	2,788,018
Extracurricular activities	-	-	-	91,959
Facilities maintenance and operations	-	-	-	38,113
Security and monitoring services	-	-	-	77,360
Community services	-	-	-	186,939
Facilities acquisition and construction	-	-	-	306,538
Total expenditures	<u>-</u>	<u>704</u>	<u>290,889</u>	<u>8,429,026</u>
Other Financing Sources (Uses)- Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	278,659
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,795,544</u>
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>2,074,203</u>

Elgin Independent School District
Major Governmental Fund - Debt Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended August 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local and intermediate sources	\$ 6,905,509	6,905,509	7,195,741	290,232
State program revenues	142,678	142,678	150,035	7,357
Total revenues	<u>7,048,187</u>	<u>7,048,187</u>	<u>7,345,776</u>	<u>297,589</u>
Expenditures-				
Debt service	<u>7,132,825</u>	<u>7,132,825</u>	<u>7,071,610</u>	<u>61,215</u>
Total expenditures	<u>7,132,825</u>	<u>7,132,825</u>	<u>7,071,610</u>	<u>61,215</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(84,638)</u>	<u>(84,638)</u>	<u>274,166</u>	<u>358,804</u>
Net change in fund balance	<u>(84,638)</u>	<u>(84,638)</u>	<u>274,166</u>	<u>358,804</u>
Fund balance - beginning	<u>1,170,575</u>	<u>1,170,575</u>	<u>1,170,575</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 1,085,937</u></u>	<u><u>1,085,937</u></u>	<u><u>1,444,741</u></u>	<u><u>358,804</u></u>

Elgin Independent School District
Nonmajor Special Revenue Fund - Food Service
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended August 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local and intermediate sources	\$ 458,000	458,000	52,348	(405,652)
State program revenues	32,000	32,000	37,122	5,122
Federal program revenues	2,809,794	2,809,794	3,087,756	277,962
Total revenues	<u>3,299,794</u>	<u>3,299,794</u>	<u>3,177,226</u>	<u>(122,568)</u>
Expenditures:				
Current:				
Food services	3,168,694	3,519,725	2,788,018	731,707
Facilities maintenance and operations	25,000	75,000	38,113	36,887
Facilities acquisition and construction	-	21,000	20,916	84
Total expenditures	<u>3,193,694</u>	<u>3,615,725</u>	<u>2,847,047</u>	<u>768,678</u>
Excess (deficiency) of revenues over (under) expenditures	<u>106,100</u>	<u>(315,931)</u>	<u>330,179</u>	<u>646,110</u>
Net change in fund balances	106,100	(315,931)	330,179	646,110
Fund balance - beginning	<u>1,495,412</u>	<u>1,495,412</u>	<u>1,495,412</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,601,512</u>	<u>1,179,481</u>	<u>1,825,591</u>	<u>646,110</u>

Other Schedules

Elgin Independent School District
Schedule of Delinquent Taxes Receivable
Year Ended August 31, 2021

Years Ended	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 8/31/2020	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustment	Ending Balance 8/31/2021
	Maintenance	Debt Service							
2012 & Prior	Various	Various	\$ Various	\$ 167,112	-	8,114	3,110	(16,037)	139,851
2013	1.1700	0.3700	873,949,606	39,899	-	2,873	908	(392)	35,726
2014	1.1700	0.3700	883,145,467	38,276	-	1,121	355	(2,120)	34,680
2015	1.1700	0.3700	943,149,397	43,205	-	3,047	963	(2,092)	37,103
2016	1.1700	0.3700	1,013,763,136	49,445	-	9,352	2,958	(291)	36,844
2017	1.1700	0.3700	1,055,525,950	71,796	-	15,388	4,866	(751)	50,791
2018	1.1700	0.3700	1,265,886,875	122,325	-	30,355	9,599	(1,883)	80,488
2019	1.1700	0.3700	1,400,853,381	252,454	-	72,946	23,068	(13,389)	143,051
2020	1.0683	0.4500	1,540,980,213	567,091	-	193,617	81,557	(23,474)	268,443
2021	1.0125	0.4482	1,722,980,353	-	22,981,843	15,673,383	6,934,468	201,431	575,423
Totals				\$ 1,351,603	22,981,843	16,010,196	7,061,852	141,002	1,402,400

Elgin Independent School District
Exhibit J-4 - Use of Funds Report - Select State Allotment Programs
As of August 31, 2021

<u>Data Codes</u>		<u>Responses</u>
Section A: Compensatory Education Programs		
Districts are required to use at least 55% of state compensatory education state allotment funds on direct program costs. Statutory Authority: Texas Education Code, §48.104.		
AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 5,383,023
AP4	List the actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 3,100,300
Section B: Bilingual Education Programs		
Districts are required to use at least 55% of bilingual education state allotment funds on direct program costs. Statutory Authority: Texas Education Code, §48.105.		
AP5	Did your district expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the district's fiscal year.	\$ 1,086,412
AP8	List the actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25, 35)	\$ 607,536

Elgin Independent School District
Exhibit L-1 - Schedule of Required Responses to Selected
School First Indicators
As of August 31, 2021

Data Control Codes	Description	Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF4	Was the school district issued a warrant hold?	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its' budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ 744,425

Federal Awards 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*

The Board of Trustees of
Elgin Independent School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elgin Independent School District (the "District"), as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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 a 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maxwell Locke + Ritter LLP

Austin, Texas
December 9, 2021



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Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by The Uniform Guidance

The Board of Trustees of
Elgin Independent School District:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Maxwell Locke + Ritter LLP

Austin, Texas
December 9, 2021

Elgin Independent School District
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2021

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Education</u>			
<u>Fund for the Improvement of Education Cluster</u>			
<u>Passed Through Texas Education Agency:</u>			
Education for Homeless Children and Youth	84.196A	214600057110026	\$ 28,151
Title I Grants to Local Educational Agencies	84.010A	20610101011902	127,929
Title I Grants to Local Educational Agencies	84.010A	21610101011902	755,746
Title I Grants to Local Educational Agencies	84.010A	22610101011902	67,925
Total - 84.010A			951,600
Migrant Education State Grant Program	84.011A	20615001011902	82,222
Migrant Education State Grant Program	84.011A	21615001011902	503
Migrant Education State Grant Program	84.011A	22615001011902	10,005
Total - 84.011A			92,730
<u>Special Education Cluster</u>			
Special Education Grants to States	84.027A	206600010119026600	138,518
Special Education Grants to States	84.027A	216600010119026600	677,893
Special Education Grants to States	84.027A	226600010119026600	56,067
Special Education Grants to States	84.027A	66002106	130,080
Total - 84.027A			1,002,558
Special Education Preschool Grants	84.173A	206610010119026610	536
Total Special Education Cluster			1,003,094
Career and Technical Education - Basic Grants to States - Perkins Reserve	84.048A	204200287110026	10,441
Career and Technical Education - Basic Grants to States	84.048A	21420006011902	51,669
Total - 84.048A			62,110
Twenty-First Century Community Learning Centers	84.287C	206950247110010	173,670
Twenty-First Century Community Learning Centers	84.287C	216950247110010	1,112,799
Twenty-First Century Community Learning Centers	84.287C	226950307110017	49,499
Total - 84.287			1,335,968
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367A	20694501011902	91,786
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367A	21694501011902	19,440
Total - 84.367A			111,226
English Language Acquisition State Grants	84.365A	20671001011902	42,026
English Language Acquisition State Grants	84.365A	21671001011902	111,102
English Language Acquisition State Grants	84.365A	22671001011902	14,988
Total - 84.365A			168,116
Student Support and Academic Enrichment Program	84.424A	20680101011902	12,166
Student Support and Academic Enrichment Program	84.424A	21680101011902	38,941
Student Support and Academic Enrichment Program	84.424A	22680101011902	8,270
Total - 84.424A			59,377
COVID-19 Education Stabilization Fund (ESSER)	84.425D	20521001011902	22,768
COVID-19 Education Stabilization Fund (PPRP)	84.425D	52102035	656,315
COVID-19 Education Stabilization Fund (ESSER II)	84.425D	21521001011902	82,897
COVID-19 Education Stabilization Fund (ESSER III)	84.425U	21528001011902	140,622
Total - 84.425			902,602
Total Passed Through Texas Education Agency			4,714,974
Total Department of Education			4,714,974

(continued)

Elgin Independent School District
Schedule of Expenditures of Federal Awards (Continued)
Year Ended August 31, 2021

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
<u>Direct Funding-</u>			
Farm to School Grant Program	10.575	CN-F2S-IMP-19-TX-1	\$ 23,976
<u>Child Nutrition Cluster</u>			
<u>Passed Through Texas Education Agency:</u>			
National School Lunch Program	10.555	71302001	7,317
National School Lunch Program	10.555	71302101	150,245
School Breakfast Program	10.553	71402001	4,519
School Breakfast Program	10.553	71402101	60,139
Total - 10.553			64,658
<u>Total Passed Through Texas Education Agency</u>			<u>222,220</u>
<u>Passed Through Texas Department of Agriculture:</u>			
National School Lunch Program	10.555	71302101	12,315
COVID-19 National School Lunch Program	10.555	71302001	166,142
Summer Food Service Program for Children	10.559		2,432,764
<u>Total Passed Through Texas Department of Agriculture</u>			<u>2,611,221</u>
<u>Passed Through the Texas Department of Human Services:</u>			
Non-cash assistance - Food Distribution Program	10.555		10,759
Non-cash assistance - Food Distribution Program	10.559		243,556
<u>Total Passed Through Texas Department of Human Services</u>			<u>254,315</u>
Total - 10.555			346,778
Total - 10.559			2,676,320
<u>Total Child Nutrition Cluster</u>			<u>3,087,756</u>
<u>Total Department of Agriculture</u>			<u>3,111,732</u>
<u>U.S. Department of Justice</u>			
<u>Direct Award-</u>			
Public Safety Partnership and Community Policing Grants	16.710	2020SVWX0092	314,150
<u>Total Department of Justice</u>			<u>314,150</u>
<u>U.S. Department of Health and Human Services</u>			
<u>Passed Through State Health and Human Services Commission-</u>			
Medical Assistance Program	93.778		6,194
<u>Total Department of Health and Human Services</u>			<u>6,194</u>
<u>U.S. General Services Administration</u>			
<u>Passed Through Texas Facilities Commission-</u>			
Donation of Federal Surplus Property	39.003		9,733
<u>Total U.S. General Services Administration</u>			<u>9,733</u>
<u>U.S. Department of Treasury</u>			
<u>Passed Through Texas Division of Emergency Management-</u>			
COVID-19 Coronavirus Relief Fund	21.019	FAIN 2020-CF-21019	134,664
<u>Total Department of Health and Human Services</u>			<u>134,664</u>
<u>Total Expenditures of Federal Awards</u>			<u>\$ 8,291,447</u>

Elgin Independent School District

Notes to the Schedule of Expenditures of Federal Awards Year Ended August 31, 2021

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Elgin Independent School District (the "District") under programs of the federal government for the year ended August 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, change in net position, or cash flows of the District.

2. Summary of Significant Accounting Policies

Basis of Accounting

The expenditures reported on the Schedule are reported using the modified accrual basis of accounting, with the exception of the National School Lunch Program, the School Breakfast Program, the Summer Food Service Program for Children, and the Food Distribution Program. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become available and measurable, and expenditures in the accounting period in which the fund liability is incurred, if measurable. Expenditures in the National School Lunch Program, the School Breakfast Program, the Summer Feeding Program for Children, and the Food Distribution Program are not specifically attributable to this revenue source and are shown on the Schedule in an amount equal to revenue for balancing purposes only. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

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

Relationship to Basic Financial Statements

Expenditures of federal awards are reported in the District's basic financial statements in the General Fund and special revenue funds.

Relationship to Federal Financial Reports

Amounts reported in the Schedule agree with the amounts reported in the related federal financial reports in all significant respects.

Valuation of Non-cash Programs

The District values revenues and expenditures for the Food Distribution Program based on the value of commodities received. The District values revenues and expenditures for the Donation of Federal Surplus Property based on the fair market value of the donated property.

Provider Relief Fund

The District incurred \$20,701 of expenditures related to the Provider Relief Fund during the year ended August 31, 2020. Based on the guidance from the *OMB Compliance Supplement*, since the District received the payment for the Provider Relief Fund in August 2020 which is not in Period 1 as defined in the *OMB Compliance Supplement*, expenditures are not reported on the Schedule.

Elgin Independent School District

Schedule of Findings and Questioned Costs Year Ended August 31, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over each major federal program:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for each major federal program:

Title I Grants to Local Educational Agencies Unmodified

COVID-19 Education Stabilization Fund Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of each major federal program:

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.010A	Title I Grants to Local Educational Agencies
84.425D/84.425U	COVID-19 Education Stabilization Fund

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

Auditee qualified as low-risk auditee? yes no

Elgin Independent School District

Schedule of Findings and Questioned Costs Year Ended August 31, 2021

Section II - Financial Statement Findings

There were no findings required to be reported in accordance with *Government Auditing Standards* for the years ended August 31, 2021 and 2020.

Section III - Federal Award Findings and Questioned Costs

There were no findings or questioned costs required to be reported in accordance with 2 CFR 200.516(a) for the years ended August 31, 2021 and 2020.