

**Elgin Independent
School District**

**Annual Financial Report
for the Fiscal Year Ended
August 31, 2020**



Elgin Independent School District
Annual Financial Report
Year Ended August 31, 2020
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Certificate of Board

<u>Elgin Independent School District</u> Name of School District	<u>Bastrop</u> County	<u>011-902</u> Co.-Dist. Number
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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, 2020 at a meeting of the Board of Trustees of such school district on the 11th day of January, 2021.

Juanita Valero Nery
Signature of Board Secretary

Byron A. Mitchell
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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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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2020, 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 January 6, 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
January 6, 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, 2020. 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, 2020 was approximately \$4.6 million.
- The fund balance for the General Fund at August 31, 2020 was approximately \$19.1 million, an increase of approximately \$1.9 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, Debt Service Fund, and the Education Stabilization 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, 2020, the District's combined assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by approximately \$4.6 million, which is an increase of approximately \$5.2 million from the prior year combined net position of approximately (\$564) thousand.

Net position at August 31, 2020 as compared to August 31, 2019, can be presented as follows:

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

	(in thousands)	
	August 31, 2020	August 31, 2019
Current assets:		
Cash and temporary investments	\$ 24,798	\$ 23,305
Property taxes, net	778	829
Due from other governments	1,176	2,016
Other assets	50	33
Total current assets	26,802	26,183
Non-current assets-		
Capital assets, net of accumulated depreciation	61,912	61,826
Total assets	\$ 88,714	\$ 88,009
Deferred outflows of resources:		
Deferred charges on refundings	\$ 1,145	\$ 1,372
Pension contributions after measurement date	1,141	980
Deferred outflows related to pension liability	6,166	7,682
OPEB contributions after measurement date	294	258
Deferred outflows related to OPEB liability	2,020	1,255
Total deferred outflows of resources	\$ 10,766	\$ 11,547
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,304	\$ 5,572
Bond interest payable	250	272
Bonds and accretion payable	4,833	4,836
Capital lease payable	589	512
Loans payable	262	-
Due to other governments	12	11
Unearned revenue	683	96
Total current liabilities	9,933	11,299
Long-term liabilities:		
Bonds and accretion payable	39,585	44,847
Capital lease payable	709	1,055
Loans payable	2,676	2,551
Net pension liability	14,544	15,423
Net OPEB liability	17,187	17,947
Total liabilities	\$ 84,634	\$ 93,122
Deferred inflows of resources:		
Deferred inflows related to pension liability	\$ 2,569	\$ 1,072
Deferred inflows related to OPEB liability	7,655	5,926
Total deferred inflows of resources	10,224	6,998
Net position:		
Net investment in capital assets	\$ 15,700	\$ 11,548
Restricted	2,625	2,155
Unrestricted	(13,703)	(14,267)
Total net position	\$ 4,622	\$ (564)

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 55% in the last five years. Enrollment has increased by 9.2% 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 \$15.7 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, \$2.6 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

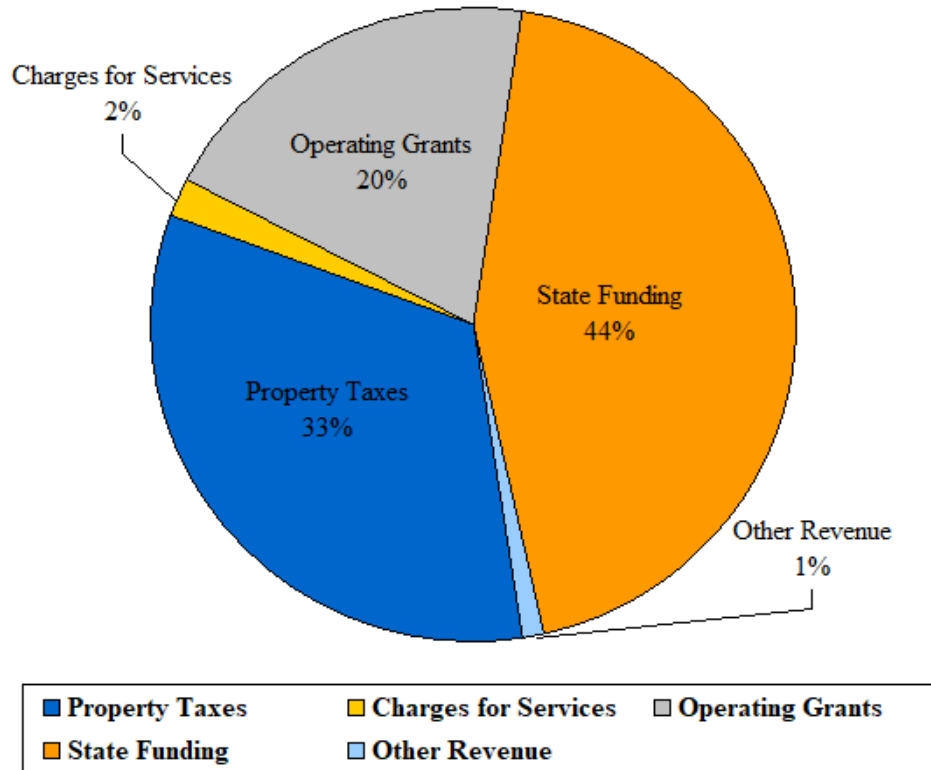
Governmental activities increased the District’s net position by \$5.2 million for the year ended August 31, 2020. Key elements of this increase are as follows:

**Elgin Independent School District’s
Changes in Net Position**

	(in thousands)	
	Year Ended August 31, 2020	Year Ended August 31, 2019
Revenues:		
Program revenues:		
Charges for services	\$ 1,064	\$ 1,385
Operating grants and contributions	13,019	12,256
General revenues:		
Property taxes	22,000	20,607
State aid - formula grants	29,417	23,510
Investment earnings	426	563
Miscellaneous	283	829
Total revenues	66,209	59,150
Expenses:		
Instruction	31,740	27,309
Instructional resources and media services	642	500
Curriculum and staff development	1,475	1,369
Instructional leadership	2,460	2,249
School leadership	4,186	3,173
Guidance, counseling and evaluation services	1,694	1,617
Social work services	262	240
Health services	370	355
Student transportation	2,219	2,098
Food services	3,099	2,987
Extracurricular activities	1,546	1,715
General administration	2,323	2,151
Facilities maintenance and operations	5,287	5,636
Security and monitoring services	450	314
Data processing services	942	915
Community services	661	478
Debt service	1,330	1,500
Facilities acquisition and construction	18	75
Payments related to shared services arrangements	26	21
Other intergovernmental charges	293	272
Total governmental activities	61,023	54,974
Change in net position	5,186	4,176
Net position beginning	(564)	(4,740)
Net position ending	\$ 4,622	\$ (564)

Overall property taxes account for 33% of the District’s revenue sources while state funding represents 44%. Operating grants account for 20% 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 \$22,025,193. Of this amount, \$18,184,025 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 38% of the total General Fund expenditures.

The Debt Service Fund has a total fund balance of \$1,170,575, 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 \$1,795,544, a decrease of \$208,629 since last year. Combining schedules for the Special Revenue Funds are provided in this report on pages 56 through 63.

Budgetary Highlights

The District had general fund budget amendments during the 2019-20 fiscal year that increased the budgeted expenditures by \$4,416,541. Key differences between the final amended budget and actual amounts were due to unspent funds due to 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, 2020 amounts to approximately \$61.9 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	4,265,443
Buildings and improvements	52,806,655
Furniture and equipment	<u>3,354,300</u>
Total	<u>\$ 61,911,753</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 \$44.4 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 A+ and A1, 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

- Certified net taxable property value increased for tax year 2020-2021 to \$1.6 billion, an increase of 9.03%
- The General Fund budget for operating expenditures was \$49,119,714 for 2020-2021, an increase of 2.1%.
- The District is anticipating an increase in enrollment of 1.1% for 2020-2021.

These indicators were taken into account when adopting the General Fund operating budget for 2020-2021. In the original approved budget, estimated revenues for 2020-2021 are approximately \$49,512,600, which are \$361,983 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 adopted an operating tax rate of \$1.0125 and a debt service rate of \$.4482 for the 2020-2021 fiscal year. This results in a reduction of 5.76 cents per \$100 valuation.

The District provided raises for all employees on the teacher salary schedule that ranged from \$750 to \$1,500 depending on years of service. All other employees received a 1% increase based on the midpoint of their pay scale.

Due to the Coronavirus pandemic, on March 23, 2020, the District shifted to fully online learning for all students through the end of the school year. This shift resulted in significant changes to all aspects of school operations, many of which had a financial impact on the District. The most significant impacts were not in additional expenditures for cleaning supplies or personal protective equipment, but in revenue loss. The District made the decision to keep all employees on the payroll, including cafeteria workers, childcare providers, bus drivers, and other personnel who could not perform their duties remotely. Consequently, the District saw a loss in revenue in food service, daycare, after-school programs, and facility rentals without a corresponding decrease in expenses. For the 2020-21 school year, the District has partially reopened for in-person learning.

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 \$749,507. The ESSER grant is a federal fund source that is separate from the Foundation School Program (FSP) allotment. However, because ESSER funding is used as a method of finance for the 2019-2020 ADA Hold Harmless, local educational agencies (LEA) must combine the ESSER grant with the remainder of the normal FSP allotment in order to account for the total FSP allotment. Utilizing ESSER funds as a method of finance will assist in maintaining state funding for future years. If an LEA did not apply for the ESSER grant, it would result in a net loss of overall revenue.

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, 2020

	Governmental Activities
Assets:	
Cash and temporary investments	\$ 24,797,555
Receivables:	
Property taxes - delinquent	1,351,603
Allowance for uncollectible taxes	(573,079)
Due from other governments	1,176,212
Inventory	36,571
Prepaid items	13,840
Capital assets (net of accumulated depreciation):	
Land	1,485,355
Construction in progress	4,265,443
Buildings and improvements	52,806,655
Furniture and equipment	3,354,300
Total assets	88,714,455
Deferred Outflows of Resources:	
Deferred charges on bond refundings	1,144,774
Pension contributions after measurement date	1,140,989
Deferred outflows related to pension liability	6,165,659
OPEB contributions after measurement date	294,305
Deferred outflows related to OPEB liability	2,019,672
Total deferred outflows of resources	10,765,399
Liabilities:	
Current liabilities:	
Accounts payable	1,543,652
Payroll deductions and withholdings	294,134
Accrued wages payable	1,465,779
Bond interest payable	250,656
Bonds payable	4,536,016
Accretion payable	296,534
Capital lease payable	589,411
Loans payable	261,850
Due to other governments	12,275
Unearned revenue	683,145
Noncurrent liabilities:	
Bonds payable	38,964,070
Accretion payable	620,430
Capital lease payable	708,805
Loans payable	2,676,395
Net pension liability	14,543,903
Net OPEB liability	17,186,537
Total liabilities	84,633,592
Deferred Inflows of Resources:	
Deferred inflows related to pension liability	2,569,371
Deferred inflows related to OPEB liability	7,654,855
Total deferred outflows of resources	10,224,226
Net Position:	
Net investment in capital assets	15,699,665
Restricted for:	
Debt service	1,129,432
Food service	1,495,412
Unrestricted	(13,702,473)
Total net position	\$ 4,622,036

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

Elgin Independent School District
Statement of Activities
Year Ended August 31, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Instruction	\$ 31,739,804	205,016	6,643,329	(24,891,459)
Instructional resources and media services	641,905	5,971	50,300	(585,634)
Curriculum and staff development	1,474,672	217,955	591,443	(665,274)
Instructional leadership	2,459,569	2,986	574,664	(1,881,919)
School leadership	4,185,578	44,785	524,264	(3,616,529)
Guidance, counseling, and evaluation services	1,694,261	5,971	217,239	(1,471,051)
Social work services	262,010	-	25,176	(236,834)
Health services	369,516	-	27,050	(342,466)
Student transportation	2,218,506	-	205,135	(2,013,371)
Food services	3,099,232	279,126	2,793,533	(26,573)
Extracurricular activities	1,545,543	281,920	72,690	(1,190,933)
General administration	2,323,922	20,156	136,005	(2,167,761)
Facilities maintenance and operations	5,287,608	-	313,345	(4,974,263)
Security and monitoring services	450,648	-	154,031	(296,617)
Data processing services	942,097	-	57,668	(884,429)
Community services	661,062	-	111,253	(549,809)
Debt service	1,330,024	-	521,774	(808,250)
Facilities acquisition and construction	18,997	-	-	(18,997)
Payments related to shared services arrangements	26,018	-	-	(26,018)
Other intergovernmental charges	292,871	-	-	(292,871)
Total governmental activities	<u>\$ 61,023,843</u>	<u>1,063,886</u>	<u>13,018,899</u>	<u>(46,941,058)</u>
General revenues:				
Property taxes levied for general purposes				\$ 15,582,607
Property taxes levied for debt service				6,417,319
State aid-formula grants				29,416,698
Investment earnings				426,071
Miscellaneous				283,927
Total general revenues				<u>52,126,622</u>
Change in net position				5,185,564
Net position - beginning				<u>(563,528)</u>
Net position - ending				<u>\$ 4,622,036</u>

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

Elgin Independent School District
Balance Sheet
Governmental Funds
August 31, 2020

	General	Debt Service	Education Stabilization Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and temporary investments	\$ 21,595,151	1,181,738	-	2,020,666	24,797,555
Receivables:					
Property taxes - delinquent	987,866	363,737	-	-	1,351,603
Allowance for uncollectible taxes	(418,855)	(154,224)	-	-	(573,079)
Due from other governments	19,361	6,176	749,507	401,168	1,176,212
Due from other funds	952,276	40,000	-	-	992,276
Inventory	-	-	-	36,571	36,571
Prepaid items	13,840	-	-	-	13,840
Total assets	<u>\$ 23,149,639</u>	<u>1,437,427</u>	<u>749,507</u>	<u>2,458,405</u>	<u>27,794,978</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Accounts payable	\$ 1,391,988	-	-	151,664	1,543,652
Payroll deductions and withholdings	294,134	-	-	-	294,134
Accrued wages payable	1,365,607	-	-	100,172	1,465,779
Due to other funds	40,000	-	749,507	202,769	992,276
Due to other governments	8,144	-	-	4,131	12,275
Unearned revenue	421,681	57,339	-	204,125	683,145
Total liabilities	<u>3,521,554</u>	<u>57,339</u>	<u>749,507</u>	<u>662,861</u>	<u>4,991,261</u>
Deferred inflows of resources-					
Deferred revenue - property taxes	569,011	209,513	-	-	778,524
Fund balances:					
Nonspendable:					
Inventory	-	-	-	14,874	14,874
Prepaid items	13,840	-	-	-	13,840
Restricted for:					
Retirement of long-term debt	-	1,170,575	-	-	1,170,575
Food service	-	-	-	1,480,538	1,480,538
Assigned to:					
Authorized construction	593,694	-	-	-	593,694
Subsequent year's budget deficit	267,515	-	-	-	267,515
Campus activities	-	-	-	300,132	300,132
Unassigned	18,184,025	-	-	-	18,184,025
Total fund balances	<u>19,059,074</u>	<u>1,170,575</u>	<u>-</u>	<u>1,795,544</u>	<u>22,025,193</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 23,149,639</u>	<u>1,437,427</u>	<u>749,507</u>	<u>2,458,405</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	\$ 61,911,753
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	778,524
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	(43,500,086)
Less: Deferred charges on refundings	1,144,774
Accretion payable	(916,964)
Bond interest payable	(250,656)
Capital lease payable	(1,298,216)
Loans payable	(2,938,245)
Net pension liability	(14,543,903)
Pension contributions after measurement date	1,140,989
Deferred outflows related to pension liability	6,165,659
Deferred inflows related to pension liability	(2,569,371)
Net OPEB liability	(17,186,537)
OPEB contributions after measurement date	294,305
Deferred outflows related to OPEB liability	2,019,672
Deferred inflows related to OPEB liability	(7,654,855)
Net position of governmental activities	<u>\$ 4,622,036</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, 2020

	General	Debt Service	Education Stabilization Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Local and intermediate sources	\$ 16,456,316	6,516,567	-	850,376	23,823,259
State program revenues	31,730,374	521,774	-	811,598	33,063,746
Federal program revenues	920,765	-	749,507	6,140,616	7,810,888
Total revenues	49,107,455	7,038,341	749,507	7,802,590	64,697,893
Expenditures:					
Current:					
Instruction	24,182,239	-	749,507	2,627,716	27,559,462
Instructional resources and media services	542,246	-	-	16,539	558,785
Curriculum and staff development	612,255	-	-	765,051	1,377,306
Instructional leadership	1,741,378	-	-	420,028	2,161,406
School leadership	3,354,166	-	-	246,353	3,600,519
Guidance, counseling, and evaluation services	1,359,730	-	-	103,593	1,463,323
Social work services	211,589	-	-	2,302	213,891
Health services	309,368	-	-	-	309,368
Student transportation	1,973,914	-	-	35,355	2,009,269
Food services	-	-	-	3,380,606	3,380,606
Extracurricular activities	1,240,854	-	-	174,936	1,415,790
General administration	2,030,370	-	-	495	2,030,865
Facilities maintenance and operations	4,631,709	-	-	31,037	4,662,746
Security and monitoring services	407,326	-	-	134,237	541,563
Data processing services	1,120,116	-	-	-	1,120,116
Community services	389,151	-	-	72,971	462,122
Debt service	799,878	6,332,724	-	-	7,132,602
Facilities acquisition and construction	2,890,293	-	-	-	2,890,293
Payments related to shared services arrangements	26,018	-	-	-	26,018
Other intergovernmental charges	292,871	-	-	-	292,871
Total expenditures	48,115,471	6,332,724	749,507	8,011,219	63,208,921
Excess (deficiency) of revenues over (under) expenditures	991,984	705,617	-	(208,629)	1,488,972
Other Financing Sources:					
Proceeds from loan agreement	525,755	-	-	-	525,755
Proceeds from capital lease	335,534	-	-	-	335,534
Total other financing sources	861,289	-	-	-	861,289
Net change in fund balances	1,853,273	705,617	-	(208,629)	2,350,261
Fund balances - beginning	17,205,801	464,958	-	2,004,173	19,674,932
Fund balances - ending	\$ 19,059,074	1,170,575	-	1,795,544	22,025,193

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, 2020

Net change in fund balances-total governmental funds	\$	2,350,261
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		4,099,329
Disposal of capital assets		(8,108)
Depreciation expense		(4,005,185)
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		(50,713)
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		4,058,968
Proceeds from loan agreement		(525,755)
Proceeds from capital lease		(335,534)
Repayment of loan agreement principal		138,651
Repayment of capital lease principal		604,608
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		647,781
Change in bond interest payable		20,905
Amortization of deferred charges on bond refundings		(227,503)
Amortization of bond premiums		559,168
Pension contributions made during the measurement year		979,268
Change in pension contributions made after the measurement date		160,639
Proportionate share of collective pension expense		(100,657)
Adjustment for ending deferred inflows and outflows related to net pension liability		(3,013,898)
OPEB contributions made during the measurement year		259,191
Change in OPEB contributions made after the measurement date		36,748
Proportionate share of collective OPEB expense		501,424
Adjustment for ending deferred inflows and outflows related to net OPEB liability		(964,024)
Change in net position of governmental activities	\$	<u><u>5,185,564</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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Local and intermediate sources	\$ 15,865,563	16,049,563	16,456,316	406,753
State program revenues	30,559,145	31,958,954	31,730,374	(228,580)
Federal program revenues	1,142,100	1,142,100	920,765	(221,335)
Total revenues	<u>47,566,808</u>	<u>49,150,617</u>	<u>49,107,455</u>	<u>(43,162)</u>
Expenditures:				
Current:				
Instruction	24,680,835	26,726,231	24,182,239	2,543,992
Instructional resources and media services	448,345	572,933	542,246	30,687
Curriculum and staff development	834,308	746,308	612,255	134,053
Instructional leadership	1,712,161	1,822,161	1,741,378	80,783
School leadership	3,052,179	3,364,242	3,354,166	10,076
Guidance, counseling, and evaluation services	1,329,909	1,412,753	1,359,730	53,023
Social work services	234,031	219,031	211,589	7,442
Health services	322,585	356,585	309,368	47,217
Student transportation	1,968,777	2,145,231	1,973,914	171,317
Extracurricular activities	1,426,795	1,477,752	1,240,854	236,898
General administration	2,108,544	2,203,139	2,030,370	172,769
Facilities maintenance and operations	4,844,768	4,673,306	4,631,709	41,597
Security and monitoring services	403,698	517,680	407,326	110,354
Data processing services	942,416	1,253,425	1,120,116	133,309
Community services	375,454	410,454	389,151	21,303
Debt service	952,367	964,630	799,878	164,752
Facilities acquisition and construction	1,965,899	3,152,751	2,890,293	262,458
Payments related to shared services arrangements	30,000	30,000	26,018	3,982
Other intergovernmental charges	292,000	293,000	292,871	129
Total expenditures	<u>47,925,071</u>	<u>52,341,612</u>	<u>48,115,471</u>	<u>4,226,141</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(358,263)</u>	<u>(3,190,995)</u>	<u>991,984</u>	<u>4,182,979</u>
Other Financing Sources:				
Loan proceeds	-	-	525,755	525,755
Proceeds from capital lease	-	311,009	335,534	24,525
Total other financing sources	<u>-</u>	<u>311,009</u>	<u>861,289</u>	<u>550,280</u>
Net change in fund balance	<u>(358,263)</u>	<u>(2,879,986)</u>	<u>1,853,273</u>	<u>4,733,259</u>
Fund balance - beginning	<u>17,205,801</u>	<u>17,205,801</u>	<u>17,205,801</u>	<u>-</u>
Fund balance - ending	<u>\$ 16,847,538</u>	<u>14,325,815</u>	<u>19,059,074</u>	<u>4,733,259</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, 2020

	<u>Custodial Fund</u>
Assets-	
Cash and temporary investments	\$ 32,172
Total assets	<u>32,172</u>
Net Position-	
Restricted for-	
Student groups	<u>32,172</u>
Total net position	<u>\$ 32,172</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, 2020

	Custodial Fund
Additions-	
Enterprising services	\$ 48,303
Total additions	48,303
Deductions:	
Professional and contracted services	950
Supplies and materials	119
Other expenses	15,062
Total deductions	16,131
Net increase in fiduciary net position	32,172
Total net position - beginning	-
Total net position - ending	\$ 32,172

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, 2020

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.

The Education Stabilization Fund is a major special revenue fund and includes funds for a federally financed program in which resources are for a specific purpose determined by a grantor.

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. The District is not legally required to adopt a budget for the Education Stabilization Fund. Therefore, budget comparison information for the Education Stabilization Fund is not included in the District's financial statements.

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, 2020 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.

Change in Accounting Principle for Recently Adopted Accounting Pronouncement

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the standard is to improve accounting and financial reporting for fiduciary activities by establishing criteria for identifying fiduciary activities, requiring that all fiduciary funds present a statement of fiduciary net position and a statement of changes in fiduciary net position, except for business-types activities that normally expect to hold custodial assets for three months or less, and providing descriptions of the four types of fiduciary funds that should be reported, if applicable. The standard also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The District adopted this standard on September 1, 2019 and there was no change to fiduciary net position as of September 1, 2019 as a result of applying the new guidance.

Recently Issued Accounting Pronouncement

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.

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, 2020, the carrying amount of the District’s deposits was \$14,386,685 and the bank balance was \$14,805,740.

The District’s deposits with financial institutions at August 31, 2020 and during the year ended August 31, 2020 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 \$18,828,464.
- Largest cash, savings and time deposit combined account balance amounted to \$14,805,740 and occurred during the month of August 2020.
- Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

Investments held at August 31, 2020 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor’s Rating
Local governmental investment pools:			
TexasDAILY	\$ 5,238	1	AAAm
Lone Star	<u>10,437,804</u>	1	AAA
Total	<u><u>\$ 10,443,042</u></u>		

The District had investments in two external local government investment pools at August 31, 2020: 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, 2020, 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, 2020, 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, 2020, 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, 2020, 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, 2019, upon which the October 2019 levy was based, was \$1,540,980,213. The District levied taxes based on a combined tax rate of \$1.5183 per \$100 of assessed valuation for local maintenance (general governmental services) and debt service.

The 86th session of the Texas Legislature convened this past 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, 2020.

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, 2020.

	General Fund	Debt Service Fund	Education Stabilization Fund	Nonmajor Governmental Funds	Total
Federal and state grants	\$ -	-	749,507	401,168	1,150,675
Other	19,361	6,176	-	-	25,537
Total	<u>\$ 19,361</u>	<u>6,176</u>	<u>749,507</u>	<u>401,168</u>	<u>1,176,212</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, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 202,769
General Fund	Education Stabilization Fund	749,507
Debt Service Fund	General Fund	40,000
Total		<u>\$ 992,276</u>

6. Unearned Revenue

At August 31, 2020, unearned revenue in governmental funds consisted of the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Federal and state grants	<u>\$ 421,681</u>	<u>57,339</u>	<u>204,125</u>	<u>683,145</u>

7. Capital Assets

Capital asset activity for the year ended August 31, 2020 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	6,059,912	3,183,243	(4,977,712)	4,265,443
Total capital assets, not being depreciated	<u>7,545,267</u>	<u>3,183,243</u>	<u>(4,977,712)</u>	<u>5,750,798</u>
Capital assets, being depreciated:				
Buildings and improvements	99,010,106	307,641	4,977,712	104,295,459
Furniture and equipment	8,395,118	608,445	(141,379)	8,862,184
Total capital assets, being depreciated	<u>107,405,224</u>	<u>916,086</u>	<u>4,836,333</u>	<u>113,157,643</u>
Less accumulated depreciation for:				
Buildings and improvements	(48,220,782)	(3,268,022)	-	(51,488,804)
Furniture and equipment	(4,903,992)	(737,163)	133,271	(5,507,884)
Total accumulated depreciation	<u>(53,124,774)</u>	<u>(4,005,185)</u>	<u>133,271</u>	<u>(56,996,688)</u>
Total capital assets, being depreciated, net	<u>54,280,450</u>	<u>(3,089,099)</u>	<u>4,969,604</u>	<u>56,160,955</u>
Governmental activities capital assets, net	<u>\$ 61,825,717</u>	<u>94,144</u>	<u>(8,108)</u>	<u>61,911,753</u>

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

Governmental activities:

Instruction	\$ 2,039,595
Instructional resources and media services	45,735
Curriculum and staff development	51,639
Instructional leadership	146,873
School leadership	282,900
Guidance, counseling, and evaluation services	114,683
Social work services	17,846
Health services	26,093
Student transportation	166,485
Food services	285,130
Extracurricular activities	104,657
General administration	171,247
Facilities maintenance and operations	390,651
Security and monitoring services	34,355
Data processing services	94,474
Community services	32,822
Total depreciation expense - governmental activities	<u>\$ 4,005,185</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, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Deferred charges on bond refundings	<u>\$ 1,372,277</u>	<u>-</u>	<u>(227,503)</u>	<u>1,144,774</u>

9. Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
General obligation bonds	\$ 43,894,984	-	(4,058,968)	39,836,016
Premium on bonds	4,223,238	-	(559,168)	3,664,070
Loans payable	2,551,141	525,755	(138,651)	2,938,245
Accretion payable	1,564,745	148,251	(796,032)	916,964
Total	<u>\$ 52,234,108</u>	<u>674,006</u>	<u>(5,552,819)</u>	<u>47,355,295</u>

Bonded debt consists of the following at August 31, 2020:

General obligation bonds:						
Series	Date of Issue	Amounts of Original Issue	Matures Through	Interest Rate	Outstanding at 8-31-20	Due Within One Year
2006	11-15-06	9,329,984	2021	4.00 - 4.125%	1,016	1,016
2012	6-1-12	8,860,000	2028	2.50 - 3.50%	4,535,000	500,000
2013	5-16-13	8,430,000	2028	2.00 - 3.50%	7,035,000	90,000
2014	6-5-14	8,720,000	2026	2.00 - 4.00%	7,940,000	165,000
2015	9-29-15	8,220,000	2025	2.00 - 4.00%	4,845,000	910,000
2016A	10-13-16	7,785,000	2029	2.00 - 4.00%	7,375,000	510,000
2016B	12-29-16	8,135,000	2024	4.00%	3,090,000	1,820,000
2017	5-4-17	6,040,000	2028	3.00 - 4.00%	5,015,000	540,000
Total		<u>\$ 65,519,984</u>			<u>\$ 39,836,016</u>	<u>\$ 4,536,016</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 \$0.45.

The annual principal installments for each of the outstanding issues vary each year. At August 31, 2020, the debt service requirements of bonded indebtedness to maturity are as follows:

Year Ended August 31,	Principal	Interest	Total
2021	\$ 4,536,016	1,641,810	6,177,826
2022	4,185,000	2,043,701	6,228,701
2023	5,130,000	1,100,176	6,230,176
2024	5,205,000	915,775	6,120,775
2025	5,505,000	723,676	6,228,676
2026 - 2029	15,275,000	1,203,652	16,478,652
Total	<u>\$ 39,836,016</u>	<u>7,628,790</u>	<u>47,464,806</u>

The outstanding Series 2006 and 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, 2020, 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, 2020, the remaining payments are as follows:

Year Ended August 31,	Principal	Interest	Total
2021	\$ 261,850	83,314	345,164
2022	293,518	51,646	345,164
2023	299,432	45,732	345,164
2024	305,466	39,698	345,164
2025	311,621	33,543	345,164
2026 - 2030	1,466,358	71,305	1,537,663
Total	\$ 2,938,245	325,238	3,263,483

The following is a summary of changes in capital leases payable for the year ended August 31, 2020:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital lease payable	\$ 1,567,290	335,534	(604,608)	1,298,216

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.

Capital lease payment requirements are as follows:

Year Ended August 31,	Principal	Interest	Total
2021	\$ 589,411	46,819	636,230
2022	581,667	25,341	607,008
2023	62,062	6,173	68,235
2024	65,076	3,160	68,236
Total	<u>\$ 1,298,216</u>	<u>81,493</u>	<u>1,379,709</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, 2020, revenues from local and intermediate sources in governmental funds consisted of the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 15,336,998	6,393,094	-	21,730,092
Food service	-	-	279,126	279,126
Investment income	363,256	37,709	25,106	426,071
Penalties, interest, and other tax related income	234,783	85,764	-	320,547
Tuition and fees from patrons	184,116	-	-	184,116
Co-curricular student activities	53,305	-	228,615	281,920
Other	283,858	-	317,529	601,387
Total	\$ 16,456,316	6,516,567	850,376	23,823,259

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 Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

Benefits Provided

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

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.

	2019	2020
Contribution Rates:		
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%
FY 2020 District Contributions		\$ 1,140,989
FY 2020 Member Contributions		\$ 2,502,922
FY 2020 NECE On-behalf Contributions		\$ 1,797,219

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

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

- On the portion of the member’s salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member’s first 90 days of employment.

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

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

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

Actuarial Assumptions

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

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

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

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 arithmetic real rates of return for each major asset class included in TRS' target asset allocation as of August 31, 2019 are summarized below:

Asset Class	FY2019 Target Allocation (1)	New Target Allocation (2)	Long-Term Expected Geometric Real Rate of Return (3)
Global Equity			
USA	18%	18%	6.4%
Non-U.S. Developed	13%	13%	6.3%
Emerging Markets	9%	9%	7.3%
Directional Hedge Funds	4%	-	-
Private Equity	13%	14%	8.4%
Stable Value			
U.S. Treasuries (4)	11%	16%	3.1%
Stable Value Hedge Funds	4%	5%	4.5%
Absolute Return	0%	0%	0.0%
Real Return			
Global Inflation-Linked Bonds (4)	3%	-	-
Real Estate	14%	15%	8.5%
Energy, Natural Resources and Infrastructure	5%	6%	7.3%
Commodities	0%	0%	0.0%
Risk Parity			
Risk Parity	5%	8%	5.8%/6.5%(5)
Leverage			
Cash	1%	2%	2.50%
Asset Allocation Leverage	-	(6.0%)	2.70%
Expected Return	<u>100%</u>	<u>100%</u>	<u>7.23%</u>

- (1) Target allocations are based on the Strategic Asset Allocation as of FY2019
- (2) New allocations are based on the Strategic Asset Allocation to be implemented FY2020
- (3) 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%
- (4) New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds
- (5) 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility

Discount Rate Sensitivity Analysis

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

	<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	\$ 22,356,091	\$ 14,543,903	\$ 8,214,522

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

At August 31, 2020, the District reported a liability of \$14,543,903 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	\$ 14,543,903
State's proportionate share that is associated with the District	<u>19,453,222</u>
Total	<u>\$ 33,997,125</u>

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

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.0280% which was the same as its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation

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

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

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, 2020, the District recognized pension expense of \$3,115,637 and revenue of \$3,055,827 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 61,097	\$ 504,987
Changes in actuarial assumptions	4,512,233	1,864,668
Difference between projected and actual investment earnings	146,038	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,446,291	199,716
Contributions paid to TRS subsequent to the measurement date	1,140,989	-
Total	<u>\$ 7,306,648</u>	<u>\$ 2,569,371</u>

The \$1,140,989 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, 2021. 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:	
2021	\$ 970,481
2022	799,425
2023	930,921
2024	819,642
2025	210,655
Thereafter	(134,836)

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 plan is administered through a trust by the TRS Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

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

Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

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

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

	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.

	2019	2020
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 2020 District Contributions		\$ 294,305
FY 2020 Member Contributions		\$ 211,160
FY 2020 NECE On-behalf Contributions		\$ 383,398

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 \$73.6 million in fiscal year 2019.

Actuarial Assumptions

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

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.63%
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	4.50% to 10.25%
Election Rates	Normal retirement: 65% participation prior to age 65 and 50% 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 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019, participation rates were updated, trend rates were reset to better reflect the plan's anticipated experience, percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%, and the participation assumption for the surviving spouses of employees that die will actively employed was lowered from 20% to 10%.

Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. 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, 2019.

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, 2019.

Sensitivity Analysis

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

	<u>1% Decrease in Discount Rate (1.63%)</u>	<u>Discount Rate (2.63%)</u>	<u>1% Increase in Discount Rate (3.63%)</u>
District’s proportionate share of the net OPEB liability	\$ 20,749,665	\$ 17,186,537	\$ 14,399,099

Healthcare Cost Trend Rates - The following schedule shows the impact of the Net OPEB Liability if the healthcare cost trend rate that is 1% less than and 1% greater than the assumed 8.5% 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	\$ 14,020,174	\$ 17,186,537	\$ 21,428,009

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

At August 31, 2020, the District reported a liability of \$17,186,537 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	\$ 17,186,537
State's proportionate share that is associated with the District	<u>22,837,063</u>
Total	<u>\$ 40,023,600</u>

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

At August 31, 2019 the employer's proportion of the collective net OPEB liability was 0.0363% which was an increase of 0.0004% from the proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation

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

- The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the Total OPEB Liability.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the Total OPEB Liability.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the Total OPEB Liability.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the 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, 2020, the District recognized OPEB expense of \$462,230 and revenue of \$601,891 for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 843,146	\$ 2,812,394
Changes in actuarial assumptions	954,578	4,622,757
Difference between projected and actual investment earnings	1,854	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	220,094	219,704
Contributions paid to TRS subsequent to the measurement date	<u>294,305</u>	<u>-</u>
Total	<u>\$ 2,313,977</u>	<u>\$ 7,654,855</u>

The \$294,305 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, 2021. 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:	
2021	\$ (952,098)
2022	(952,098)
2023	(952,699)
2024	(953,042)
2025	(952,948)
Thereafter	(872,298)

14. Health Care Coverage

During the year ended August 31, 2020, 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, 2020, reimbursements of \$153,960 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, 2020, 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 2020, 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 \$256,199 for fiscal year 2019-20 of which \$51,901 has been paid. The District’s estimated outstanding loss and aggregate liability at August 31, 2020 was \$176,023 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, 2020 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 2020 tax year (2020-2021 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.

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, 2020, 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, 2020, the District was obligated under operating leases for certain office equipment. Rent expenditures incurred under operating leases for the year ended August 31, 2020 were \$8,489. Future minimum lease payments on these operating leases is as follows:

2021	\$ 8,449
2022	6,600
2023	5,444
2024	1,976
2025	<u>329</u>
Total	<u>\$ 22,798</u>

At August 31, 2020, the District is also committed under construction contracts with a remaining balance of \$194,495.

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 United States. 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 estimated 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
8/31/2020**

	2019*	2018*	2017*	2016*	2015*	2014*	2013*
District's proportion of the net pension liability	0.0280%	0.0280%	0.0288%	0.0256%	0.0258%	0.0164%	0.0164%
District's proportionate share of the net pension liability	\$ 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	19,453,222	20,804,609	12,605,874	15,052,449	13,887,393	11,787,479	14,469,625
Total	<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)	\$ 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	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	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%	78.17%
Plan's net pension liability as a percentage of covered payroll	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

	2020	2019	2018	2017	2016
Contractually required contributions	\$ 1,140,989	\$ 980,350	\$ 946,437	\$ 942,838	\$ 814,257
Contributions in relation to the contractual required contributions	1,140,989	980,350	946,437	942,838	814,257
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 32,505,449	\$ 28,753,440	\$ 27,729,952	\$ 27,678,861	\$ 25,591,885
Contributions as a percentage of covered payroll	3.51%	3.41%	3.41%	3.41%	3.18%
	2015	2014	2013	2012	2011
Contractually required contributions	\$ 764,556	\$ 426,572	\$ 488,370	\$ 274,011	\$ 331,234
Contributions in relation to the contractual required contributions	764,556	426,572	488,370	274,011	331,234
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	23,761,108	22,326,922	21,154,912	20,034,111	\$ 20,529,357
Contributions as a percentage of covered payroll	3.22%	1.91%	2.31%	1.37%	1.61%

Elgin Independent School District
Schedule of the District's Proportionate Share of the Net OPEB Liability
Teacher Retirement System of Texas
8/31/2020**

	<u>2019*</u>	<u>2018*</u>	<u>2017*</u>
District's proportion of the net OPEB liability	0.0363%	0.0359%	0.0364%
District's proportionate share of the net OPEB liability	\$ 17,186,537	\$ 17,947,152	\$ 15,829,161
State's proportionate share of the net OPEB liability associated with the District	<u>22,837,063</u>	<u>22,664,976</u>	<u>20,614,642</u>
Total	<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)	\$ 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	59.77%	64.72%	57.19%
Plan fiduciary net position as a percentage of the total OPEB liability	2.66%	1.57%	0.91%
Plan's net OPEB liability as a percentage of covered payroll	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 294,305	\$ 257,557	\$ 241,095	\$ 182,234
Contributions in relation to the contractual required contributions	<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>
District's covered payroll	\$ 32,505,449	\$ 28,753,440	\$ 27,729,952	\$ 27,678,861
Contributions as a percentage of covered payroll	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, 2020

1. Change in Assumptions

Pensions

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

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

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

**Combining and
Individual Fund Statements**

Elgin Independent School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
August 31, 2020

	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	National School Breakfast and Lunch Program	Summer Food Service Program for Children
Assets:							
Cash and temporary investments	\$ -	-	-	-	-	1,337,051	159,940
Receivables-							
Due from other governments	-	70,759	7,976	92,317	-	15,938	96,738
Inventory	-	-	-	-	-	36,571	-
Total assets	<u>\$ -</u>	<u>70,759</u>	<u>7,976</u>	<u>92,317</u>	<u>-</u>	<u>1,389,560</u>	<u>256,678</u>
Liabilities and fund balances:							
Liabilities:							
Accounts payable	\$ -	315	-	15,345	-	81,221	6,662
Accrued wages payable	-	2,904	-	35,413	-	38,109	-
Due to other funds	-	67,540	7,976	41,559	-	-	-
Due to other governments	-	-	-	-	-	3,137	-
Unearned revenue	-	-	-	-	-	21,697	-
Total liabilities	<u>-</u>	<u>70,759</u>	<u>7,976</u>	<u>92,317</u>	<u>-</u>	<u>144,164</u>	<u>6,662</u>
Fund balances:							
Nonspendable	-	-	-	-	-	14,874	-
Restricted	-	-	-	-	-	1,230,522	250,016
Assigned	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,245,396</u>	<u>250,016</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>70,759</u>	<u>7,976</u>	<u>92,317</u>	<u>-</u>	<u>1,389,560</u>	<u>256,678</u>

(continued)

Elgin Independent School District
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
August 31, 2020

	Career and Technical Education Basic Grants to States	Improving Teacher Quality State Grants	English Language Acquisition State Grants	21st Century Community Learning Centers	Medical Assistance Program	Farm to School Grant Program
Assets:						
Cash and temporary investments	\$ -	-	-	-	35,948	-
Receivables-						
Due from other governments	-	16,118	14,694	70,484	-	3,220
Inventory	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>16,118</u>	<u>14,694</u>	<u>70,484</u>	<u>35,948</u>	<u>3,220</u>
Liabilities and fund balances:						
Liabilities:						
Accounts payable	\$ -	-	-	4,780	1,890	3,220
Accrued wages payable	-	-	-	23,746	-	-
Due to other funds	-	16,118	14,694	41,958	-	-
Due to other governments	-	-	-	-	-	-
Unearned revenue	-	-	-	-	34,058	-
Total liabilities	<u>-</u>	<u>16,118</u>	<u>14,694</u>	<u>70,484</u>	<u>35,948</u>	<u>3,220</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>16,118</u>	<u>14,694</u>	<u>70,484</u>	<u>35,948</u>	<u>3,220</u>

(continued)

Elgin Independent School District
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
August 31, 2020

	Grants for State Assessments and Related Activities	Student Support and Academic Enrichment Program	WIOA Adult Program	Provider Relief Fund	State Supplemental Visually Impaired	Advanced Placement Initiatives	Instructional Materials Allotment	State Funded Special Revenue	Campus Activity
Assets:									
Cash and temporary investments	\$ -	-	-	20,701	-	-	8,280	90,000	304,610
Receivables-									
Due from other governments	-	11,348	-	-	1,576	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>11,348</u>	<u>-</u>	<u>20,701</u>	<u>1,576</u>	<u>-</u>	<u>8,280</u>	<u>90,000</u>	<u>304,610</u>
Liabilities and fund balances:									
Liabilities:									
Accounts payable	\$ -	-	-	20,701	-	-	8,280	4,312	4,478
Accrued wages payable	-	-	-	-	-	-	-	-	-
Due to other funds	-	11,348	-	-	1,576	-	-	-	-
Due to other governments	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	85,688	-
Total liabilities	<u>-</u>	<u>11,348</u>	<u>-</u>	<u>20,701</u>	<u>1,576</u>	<u>-</u>	<u>8,280</u>	<u>90,000</u>	<u>4,478</u>
Fund balances:									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	300,132
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,132</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>11,348</u>	<u>-</u>	<u>20,701</u>	<u>1,576</u>	<u>-</u>	<u>8,280</u>	<u>90,000</u>	<u>304,610</u>

(continued)

Elgin Independent School District
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
August 31, 2020

	<u>San Marcos Civic Foundation Grant</u>	<u>Bastrop County Cares</u>	<u>Michael and Susan Dell Foundation</u>	<u>Texas Methodist Foundation</u>	<u>Elgin Education Foundation</u>	<u>Total Special Revenue Funds</u>
Assets:						
Cash and temporary investments	\$ 382	1,521	61,466	-	767	2,020,666
Receivables-						
Due from other governments	-	-	-	-	-	401,168
Inventory	-	-	-	-	-	36,571
Total assets	<u>\$ 382</u>	<u>1,521</u>	<u>61,466</u>	<u>-</u>	<u>767</u>	<u>2,458,405</u>
Liabilities and fund balances:						
Liabilities:						
Accounts payable	\$ -	305	-	-	155	151,664
Accrued wages payable	-	-	-	-	-	100,172
Due to other funds	-	-	-	-	-	202,769
Due to other governments	382	-	-	-	612	4,131
Unearned revenue	-	1,216	61,466	-	-	204,125
Total liabilities	<u>382</u>	<u>1,521</u>	<u>61,466</u>	<u>-</u>	<u>767</u>	<u>662,861</u>
Fund balances:						
Nonspendable	-	-	-	-	-	14,874
Restricted	-	-	-	-	-	1,480,538
Assigned	-	-	-	-	-	300,132
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,795,544</u>
Total liabilities and fund balances	<u>\$ 382</u>	<u>1,521</u>	<u>61,466</u>	<u>-</u>	<u>767</u>	<u>2,458,405</u>

Elgin Independent School District
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended August 31, 2020

	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	National School Breakfast and Lunch Program	Summer Food Service Program for Children
Revenues:							
Local and intermediate sources	\$ -	-	-	-	-	316,294	2,799
State program revenues	-	-	-	-	-	34,531	-
Federal program revenues	15,590	856,044	105,692	814,494	142	1,988,778	800,395
Total revenues	<u>15,590</u>	<u>856,044</u>	<u>105,692</u>	<u>814,494</u>	<u>142</u>	<u>2,339,603</u>	<u>803,194</u>
Expenditures:							
Current:							
Instruction	13,973	396,017	55,479	580,700	142	-	-
Instructional resources and media services	-	11,408	-	-	-	-	-
Curriculum and staff development	-	361,200	787	7,360	-	-	-
Instructional leadership	-	79,072	49,426	145,736	-	-	-
School leadership	-	-	-	-	-	-	-
Guidance, counseling and evaluation services	-	-	-	80,698	-	-	-
Social work services	1,617	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-
Food services	-	-	-	-	-	2,669,268	710,472
Extracurricular activities	-	-	-	-	-	-	-
General administration	-	-	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-	31,037	-
Security and monitoring services	-	-	-	-	-	-	-
Community services	-	8,347	-	-	-	-	-
Total expenditures	<u>15,590</u>	<u>856,044</u>	<u>105,692</u>	<u>814,494</u>	<u>142</u>	<u>2,700,305</u>	<u>710,472</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	(360,702)	92,722
Fund balances - beginning	-	-	-	-	-	1,606,098	157,294
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,245,396</u>	<u>250,016</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, 2020

	Career and Technical Education Basic Grants to States	Improving Teacher Quality State Grants	English Language Acquisition State Grants	21st Century Community Learning Centers	Medical Assistance Program	Farm to School Grant Program
Revenues:						
Local and intermediate sources	\$ -	-	-	-	-	-
State program revenues	-	-	-	-	-	-
Federal program revenues	70,680	102,456	96,122	1,063,107	8,464	18,254
Total revenues	<u>70,680</u>	<u>102,456</u>	<u>96,122</u>	<u>1,063,107</u>	<u>8,464</u>	<u>18,254</u>
Expenditures:						
Current:						
Instruction	64,468	-	38,062	638,155	-	8,287
Instructional resources and media services	-	-	-	-	-	-
Curriculum and staff development	4,397	100,335	58,060	-	-	-
Instructional leadership	-	-	-	139,173	-	3,627
School leadership	-	2,121	-	191,274	8,464	-
Guidance, counseling and evaluation services	1,815	-	-	-	-	-
Social work services	-	-	-	-	-	-
Student transportation	-	-	-	35,355	-	-
Food services	-	-	-	-	-	866
Extracurricular activities	-	-	-	-	-	-
General administration	-	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-	-
Security and monitoring services	-	-	-	-	-	-
Community services	-	-	-	59,150	-	5,474
Total expenditures	<u>70,680</u>	<u>102,456</u>	<u>96,122</u>	<u>1,063,107</u>	<u>8,464</u>	<u>18,254</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	-
Fund balances - beginning	-	-	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</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, 2020

	Grants for State Assessments and Related Activities	Student Support and Academic Enrichment Program	WIOA Adult Program	Provider Relief Fund	State Supplemental Visually Impaired	Advanced Placement Initiatives	Instructional Materials Allotment	State Funded Special Revenue	Campus Activity
Revenues:									
Local and intermediate sources	\$ -	-	-	-	-	-	-	-	232,715
State program revenues	-	-	-	-	1,576	146	685,731	89,614	-
Federal program revenues	8,014	78,079	93,604	20,701	-	-	-	-	-
Total revenues	<u>8,014</u>	<u>78,079</u>	<u>93,604</u>	<u>20,701</u>	<u>1,576</u>	<u>146</u>	<u>685,731</u>	<u>89,614</u>	<u>232,715</u>
Expenditures:									
Current:									
Instruction	8,014	15,593	91,065	11,351	1,576	146	680,056	3,088	-
Instructional resources and media services	-	-	-	-	-	-	-	-	-
Curriculum and staff development	-	-	2,011	-	-	-	5,675	8,395	-
Instructional leadership	-	-	270	-	-	-	-	-	-
School leadership	-	-	142	-	-	-	-	-	-
Guidance, counseling and evaluation services	-	-	116	9,350	-	-	-	4,313	-
Social work services	-	-	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-	-	-
Food services	-	-	-	-	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-	-	1,572	173,364
General administration	-	-	-	-	-	-	-	495	-
Facilities maintenance and operations	-	-	-	-	-	-	-	-	-
Security and monitoring services	-	62,486	-	-	-	-	-	71,751	-
Community services	-	-	-	-	-	-	-	-	-
Total expenditures	<u>8,014</u>	<u>78,079</u>	<u>93,604</u>	<u>20,701</u>	<u>1,576</u>	<u>146</u>	<u>685,731</u>	<u>89,614</u>	<u>173,364</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	-	-	-	59,351
Fund balances - beginning	-	-	-	-	-	-	-	-	240,781
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,132</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, 2020

	San Marcos Civic Foundation Grant	Bastrop County Cares	Michael and Susan Dell Foundation	Texas Methodist Foundation	Elgin Education Foundation	Total Special Revenue Funds
Revenues:						
Local and intermediate sources	\$ 2,724	685	261,183	16,687	17,289	850,376
State program revenues	-	-	-	-	-	811,598
Federal program revenues	-	-	-	-	-	6,140,616
Total revenues	<u>2,724</u>	<u>685</u>	<u>261,183</u>	<u>16,687</u>	<u>17,289</u>	<u>7,802,590</u>
Expenditures:						
Current:						
Instruction	-	-	-	10,071	11,473	2,627,716
Instructional resources and media services	-	-	-	-	5,131	16,539
Curriculum and staff development	-	-	216,831	-	-	765,051
Instructional leadership	2,724	-	-	-	-	420,028
School leadership	-	-	44,352	-	-	246,353
Guidance, counseling and evaluation services	-	-	-	6,616	685	103,593
Social work services	-	685	-	-	-	2,302
Student transportation	-	-	-	-	-	35,355
Food services	-	-	-	-	-	3,380,606
Extracurricular activities	-	-	-	-	-	174,936
General administration	-	-	-	-	-	495
Facilities maintenance and operations	-	-	-	-	-	31,037
Security and monitoring services	-	-	-	-	-	134,237
Community services	-	-	-	-	-	72,971
Total expenditures	<u>2,724</u>	<u>685</u>	<u>261,183</u>	<u>16,687</u>	<u>17,289</u>	<u>8,011,219</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	(208,629)
Fund balances - beginning	-	-	-	-	-	2,004,173
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,795,544</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, 2020

	<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	\$ 6,407,490	6,407,490	6,516,567	109,077
State program revenues	78,565	78,566	521,774	443,208
Total revenues	<u>6,486,055</u>	<u>6,486,056</u>	<u>7,038,341</u>	<u>552,285</u>
Expenditures-				
Debt service	<u>6,335,525</u>	<u>6,335,525</u>	<u>6,332,724</u>	<u>2,801</u>
Total expenditures	<u>6,335,525</u>	<u>6,335,525</u>	<u>6,332,724</u>	<u>2,801</u>
Excess of revenues over expenditures	<u>150,530</u>	<u>150,531</u>	<u>705,617</u>	<u>555,086</u>
Net change in fund balance	150,530	150,531	705,617	555,086
Fund balance - beginning	<u>464,958</u>	<u>464,958</u>	<u>464,958</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 615,488</u></u>	<u><u>615,489</u></u>	<u><u>1,170,575</u></u>	<u><u>555,086</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, 2020

	<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	\$ 421,000	420,850	319,093	(101,757)
State program revenues	28,000	28,000	34,531	6,531
Federal program revenues	2,762,539	2,543,383	2,789,173	245,790
Total revenues	<u>3,211,539</u>	<u>2,992,233</u>	<u>3,142,797</u>	<u>150,564</u>
Expenditures:				
Current:				
Food services	3,164,821	3,558,724	3,379,740	178,984
Facilities maintenance and operations	45,000	45,000	31,037	13,963
Total expenditures	<u>3,209,821</u>	<u>3,603,724</u>	<u>3,410,777</u>	<u>192,947</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,718</u>	<u>(611,491)</u>	<u>(267,980)</u>	<u>343,511</u>
Net change in fund balances	1,718	(611,491)	(267,980)	343,511
Fund balance - beginning	<u>1,763,392</u>	<u>1,763,392</u>	<u>1,763,392</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,765,110</u>	<u>1,151,901</u>	<u>1,495,412</u>	<u>343,511</u>

Other Schedules

**Elgin Independent School District
Schedule of Delinquent Taxes Receivable
Year Ended August 31, 2020**

Years Ended	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 8/31/2019	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustment	Ending Balance 8/31/2020
	Maintenance	Debt Service							
2011 & Prior	Various	Various	\$ Various	\$ 169,998	-	11,943	4,852	(19,837)	133,366
2012	1.0400	0.5000	834,387,200	36,493	-	1,855	892	-	33,746
2013	1.1700	0.3700	873,949,606	44,537	-	3,524	1,114	-	39,899
2014	1.1700	0.3700	883,145,467	43,754	-	4,162	1,316	-	38,276
2015	1.1700	0.3700	943,149,397	46,387	-	4,956	1,567	3,341	43,205
2016	1.1700	0.3700	1,013,763,136	65,354	-	13,079	4,136	1,306	49,445
2017	1.1700	0.3700	1,055,525,950	111,031	-	29,972	9,478	215	71,796
2018	1.1700	0.3700	1,265,886,875	261,974	-	91,826	29,039	(18,784)	122,325
2019	1.1700	0.3700	1,400,853,381	660,118	-	223,617	70,716	(113,331)	252,454
2020	1.0683	0.4500	1,540,980,213	-	21,598,683	14,952,064	6,269,984	190,456	567,091
Totals				\$ 1,439,646	21,598,683	15,336,998	6,393,094	43,366	1,351,603

Elgin Independent School District
Exhibit L-1 - Schedule of Required Responses to Selected
School First Indicators
As of August 31, 2020

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.	\$ 916,964

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 6, 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
January 6, 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, 2020. 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

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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, 2020.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control 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
January 6, 2021

Elgin Independent School District

Schedule of Expenditures of Federal Awards

Year Ended August 31, 2020

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Education			
Fund for the Improvement of Education Cluster			
Passed Through Texas Education Agency:			
Education for Homeless Children and Youth	84.196	204600057110026	15,590
Title I Grants to Local Educational Agencies	84.010A	20610101011902	795,217
Title I Grants to Local Educational Agencies	84.010A	21610101011902	60,827
Total CFDA Number 84.010A			856,044
Migrant Education State Grant Program	84.011A	20615001011902	102,173
Migrant Education State Grant Program	84.011A	21615001011902	7,976
Total CFDA Number 84.011A			110,149
Special Education Cluster			
Special Education Grants to States	84.027A	196600010119026000	2,717
Special Education Grants to States	84.027A	206600010119026000	753,349
Special Education Grants to States	84.027A	216600010119026000	58,428
Total CFDA Number 84.027A			814,494
Special Education Preschool Grants	84.173A	206610010119026000	142
Total Special Education Cluster			814,636
Career and Technical Education - Basic Grants to States	84.048A	20420006011902	71,430
Twenty-First Century Community Learning Centers	84.287	206950247110010	1,026,704
Twenty-First Century Community Learning Centers	84.287	216950247110010	36,403
Total CFDA Number 84.287			1,063,107
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367A	19694501011902	131
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367A	20694501011902	105,660
Total CFDA Number 84.367A			105,791
English Language Acquisition State Grants	84.365A	20671001011902	85,426
English Language Acquisition State Grants	84.365A	21671001011902	14,694
Total CFDA Number 84.365A			100,120
Grants for State Assessments and Related Activities	84.369A	69551702	8,014
Student Support and Academic Enrichment Program	84.424A	20680101011902	69,221
Student Support and Academic Enrichment Program	84.424A	21680101011902	11,348
Total CFDA Number 84.424A			80,569
COVID-19 Education Stabilization Fund	84.425D	20521001011902	749,507
Total Passed Through Texas Education Agency			3,974,957
Total Department of Education			
U.S. Department of Agriculture			
Direct Funding-			
Farm to School Grant Program	10.575	CN-F2S-IMP-19-TX-1	18,766
Child Nutrition Cluster			
Passed Through Texas Education Agency:			
National School Lunch Program	10.555	71301901	218,647
National School Lunch Program	10.555	71302001	992,624
School Breakfast Program	10.553	71401901	108,121
School Breakfast Program	10.553	71402001	471,911
Total CFDA Number 10.553			580,032
Total Passed Through Texas Education Agency			1,791,303
Passed Through Texas Department of Agriculture-			
Summer Food Service Program for Children	10.559		800,395
Total Passed Through Texas Department of Agriculture			800,395
Passed Through the Texas Department of Human Services-			
Non-cash assistance - Food Distribution Program	10.555		197,475
Total Passed Through Texas Department of Human Services			197,475
Total CFDA Number 10.555			1,408,746
Total Child Nutrition Cluster			2,789,173
Total Department of Agriculture			
U.S. Department of Labor			
Passed Through Texas Education Agency-			
WIOA Adult Program	17.258	183925027110007	93,604
Total Department of Labor			
93,604			
U.S. Department of Health and Human Services			
Passed Through State Health and Human Services Commission-			
Medical Assistance Program	93.778		8,464
Total Department of Health and Human Services			
8,464			
U.S. General Services Administration			
Passed Through Texas Facilities Commission-			
Donation of Federal Surplus Property	39.003		18,448
Total U.S. General Services Administration			
18,448			
Total Expenditures of Federal Awards			\$ 6,903,412

Elgin Independent School District

Notes to the Schedule of Expenditures of Federal Awards Year Ended August 31, 2020

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, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of 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, which is reflected in the District's basic financial statements in a special revenue fund. Based on the guidance from the *OMB Compliance Supplement*, entities with fiscal years ending on or before December 30, 2020 do not report these expenditures on the Schedule.

Donated Personal Protective Equipment (Unaudited)

The District received donated personal protective equipment with a fair market value of \$40,734 for the year ended August 31, 2020.

Elgin Independent School District

Schedule of Findings and Questioned Costs Year Ended August 31, 2020

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:

Twenty-First Century Community Learning Centers
COVID-19 Education Stabilization Fund

Unmodified

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:

CFDA Number(s)	Name of Federal Program or Cluster
84.287	Twenty-First Century Community Learning Centers
84.425D	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, 2020

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, 2020 and 2019.

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, 2020 and 2019.