

**PRINCETON INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

PRINCETON INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2021

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CERTIFICATE OF BOARD

Princeton Independent School District  
Name of School District

Collin  
County

043-911  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved \_\_\_\_\_ disapproved for the year ended August 31, 2021 at a meeting of the Board of Trustees of such school district on the 15<sup>th</sup> day of December, 2021.

*/s/ Chad Jones*

*/s/ Carol Bodwell*

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

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

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

***Morgan, Davis, & Company, P.C.***

Post Office Box 8158  
Greenville, Texas 75404

**Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information  
and Other Information**

**Independent Auditor's Report**

Princeton Independent School District  
321 Panther Parkway  
Princeton, Texas 75407

**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 Princeton Independent School District as of and for the year ended August 31, 2021 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Princeton Independent School District as of August 31, 2021 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information:***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedules contained in Exhibits G-1, G-2, G-3, G-4, & G-5 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 Princeton Independent School District's basic financial statements. The Combining Statements for Nonmajor Governmental Funds contained in Exhibits H-1 & H-2, and the Schedule of Expenditures of Federal Awards on Exhibit K-1, 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 Statements for Nonmajor Governmental Funds and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statements for Nonmajor Governmental Funds and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1, J-2, J-3, & J-4. We have applied certain limited procedures to this supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted on inquiries of management about 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 Reporting Required by *Government Auditing Standard***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2021 on our consideration of Princeton Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Princeton Independent School District's internal control over financial reporting and compliance.

*/s/ Morgan, Davis & Company, P.C.*

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Morgan, Davis, & Company, P.C.  
Greenville, Texas

December 11, 2021

PRINCETON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2021

In this section of the Annual Financial and Compliance Report, we, the administrators of Princeton Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2021. Please read it in conjunction with the District's Basic Financial Statements which follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's total combined net position decreased by \$1,563,766 as a result of this year's operations.
- The District's liabilities exceeded its assets at the close of the most recent fiscal year by \$(3,593,757), which represents the District's total combined net position.
- As of August 31, 2021, the District's governmental funds reported a combined fund balance of \$104,566,939 compared to \$30,011,381 for the last fiscal year. Included in this combined fund balance is \$70,888,023 of un-spend bond proceeds in the Bond Construction Funds. The General Fund reported a fund balance of \$16,128,580 this fiscal year compared to \$18,273,0061 the last fiscal year.
- The District's total tax rate for the 2020-2021 school year was \$ 1.4698 with \$ 0.9698 for maintenance & operation and \$ 0.5000 for debt service.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 12 and 13). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 14) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

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

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by T.E.A. The section labeled Required Texas Education Agency Schedules contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

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

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

The analysis of the District's overall financial condition and operations begins on page 12. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

In the Statement of Net Position and the Statement of Activities, the District has one kind of activity:

- Governmental activities—All of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

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

### ***Fund Financial Statements***

The fund financial statements begin on page 14 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the ESSA Title I Part A from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes. The District's two kinds of funds—governmental and proprietary—use different accounting approaches.

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

- Proprietary funds—The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service funds (a category of proprietary funds) report activities that provide services for the District's other programs and activities—such as the District's self-insurance programs.

## The District as Trustee

### *Reporting the District's Fiduciary Responsibilities*

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statement of Fiduciary Net Position on page 25 and Statement of Changes in Fiduciary Fund Net Position on page 26. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District is presenting government-wide financial analysis in the form of current year data and prior year data and the changes in these accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities decreased from \$(2,029,991) last year to \$(3,593,757) at August 31, 2021. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from \$(535,134) last year to \$1,476,370 at August 31, 2021.

Changes in net position of the District's governmental activities were a \$745,122 increase last year compared to a \$1,563,766 decrease at August 31, 2021.

**Table I**  
**Princeton Independent School District**  
**NET POSITION**

	Governmental Activities 8/31/2021	Governmental Activities 8/31/2020	Net Change
Current and other assets	\$114,152,620	\$35,998,875	\$78,153,745
Capital assets	249,890,052	209,993,671	39,896,381
Total assets	<u>\$364,042,672</u>	<u>\$245,992,546</u>	<u>\$118,050,126</u>
Deferred Outflows	\$14,174,045	\$11,234,761	\$2,939,284
Current and other liabilities	\$8,697,306	\$5,324,313	\$3,372,993
Long-term liabilities	331,153,330	216,594,386	114,558,944
Net Pension Liability (District's Share)	15,074,791	13,248,765	1,826,026
Net OPEB Liability (District's Share)	14,418,231	15,308,408	(890,177)
Total liabilities	<u>\$369,343,658</u>	<u>\$250,475,872</u>	<u>\$118,867,786</u>
Deferred Inflows	\$12,465,816	\$8,781,426	\$3,684,390
Net Position:			
Net Investment in Capital Assets	(\$10,376,255)	(\$3,091,214)	(\$7,285,041)
Restricted	5,306,128	1,586,357	3,719,771
Unrestricted	1,476,370	(525,134)	2,001,504
Total Net Position	<u><u>(\$3,593,757)</u></u>	<u><u>(\$2,029,991)</u></u>	<u><u>(\$1,563,766)</u></u>

**Table II**  
**Princeton Independent School District**  
**CHANGES IN NET POSITION**

	Governmental Activities Yr Ended 8/31/2021	Governmental Activities Yr Ended 8/31/2020	Net Change
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for Services	\$1,598,889	\$1,841,250	(\$242,361)
Operating grants and contributions	7,414,771	8,048,947	(634,176)
<b>General Revenues:</b>			
Maintenance and operations taxes	16,784,155	15,668,105	1,116,050
Debt service taxes	8,654,091	7,332,637	1,321,454
State aid - formula grants	39,515,373	37,697,094	1,818,279
Grants & Contributions not restricted to specific functions	1,176,152	1,206,282	(30,130)
Investment Earnings	89,202	708,420	(619,218)
Miscellaneous	895,523	341,756	553,767
<b>Total Revenue</b>	<b>\$76,128,156</b>	<b>\$72,844,491</b>	<b>\$3,283,665</b>
<b>Expenses:</b>			
Instruction, curriculum and media services	\$39,851,726	\$39,782,782	\$68,944
Instructional and school leadership	6,527,970	5,654,842	873,128
Student support services	4,757,379	4,173,636	583,743
Child nutrition	3,296,512	3,125,856	170,656
Co curricular activities	2,927,012	2,853,427	73,585
General administration	1,695,317	1,514,954	180,363
Plant maintenance, security & data processing	6,616,580	5,765,592	850,988
Community services	397,785	350,979	46,806
Debt services	11,442,716	8,714,735	2,727,981
Other intergovernmental charges	178,925	162,566	16,359
<b>Total Expenses</b>	<b>\$77,691,922</b>	<b>\$72,099,369</b>	<b>\$5,592,553</b>
<b>Increase in net position before transfers and special items</b>	<b>(\$1,563,766)</b>	<b>\$745,122</b>	<b>(\$2,308,888)</b>
Transfers	0	0	0
Special Items	0	0	0
Net Position at Beginning of Fiscal Year	(2,029,991)	(2,775,113)	745,122
<b>Net Position at End of Fiscal Year</b>	<b>(\$3,593,757)</b>	<b>(\$2,029,991)</b>	<b>(\$1,563,766)</b>

**THE DISTRICT'S FUNDS**

As the District completed the year, its governmental funds (as presented in Exhibit C-3 on page 18) reported a combined fund balance of \$104,566,939, compared to \$30,011,381 for the last fiscal year. The District's General Fund reported a fund balance decrease of \$2,144,426, ending the year with \$16,128,580. The District's Special Revenue Funds reported a fund balance increase of \$272,463, ending the year with \$1,043,356. The District's Debt Service Fund reported a fund balance increase of \$3,336,837, ending the year with \$3,974,350. The District's Capital Projects Fund reported a fund balance increase of \$5,712,162, ending the year with \$12,532,630. The District's Bond Construction Funds reported a combined fund balance increase of \$67,277,781, ending the year with \$70,888,023.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments included amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2020) and amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets:

During the year ended August 31, 2021, the District invested \$46,497,645 in capital assets, consisting of land purchased, construction in progress, various facility improvements, various equipment & furnishings, and a van.

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

	<u>Beginning</u>			
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	\$10,287,333	\$690,060	\$0	\$10,977,393
Buildings & Improvements	219,640,776	312,915	0	219,953,691
Equipment	7,950,510	1,925,310	0	9,875,820
Vehicles	3,829,655	37,000	729,850	4,596,505
Capital Lease Equipment	729,850	0	(729,850)	0
Construction in Progress	23,377,621	43,532,360	0	66,909,981
Totals at Historical Cost	<u>265,815,745</u>	<u>46,497,645</u>	<u>0</u>	<u>312,313,390</u>
Less accumulated depreciation for:				
Buildings & Improvements	(49,185,066)	(5,538,732)	0	(54,723,798)
Equipment	(3,483,030)	(788,142)	0	(4,271,172)
Vehicles	(3,008,808)	(275,390)	(145,170)	(3,429,368)
Capital Lease Equipment	(145,170)	0	145,170	0
Total accumulated depreciation	<u>(55,822,074)</u>	<u>(6,602,264)</u>	<u>0</u>	<u>(62,424,338)</u>
Capital Assets, Net	<u>\$209,993,671</u>	<u>\$39,895,381</u>	<u>\$0</u>	<u>\$249,889,052</u>

### Debt:

At year-end August 31, 2021, the District had \$331,153,330 outstanding in bonds compared to \$216,351,260 last year. The District also had \$0 outstanding in capital leases compared to \$243,126 last year. During the current fiscal year, the District issued Series 2020 & Series 2021 bonds totaling \$136,254,967, of which \$32,140,000 was used to early redeem older bonds, and the remaining \$104,114,967 will be used for continuing construction projects.

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

The District's elected and appointed officials considered many factors when setting the fiscal-year 2021 budget, and tax rates. Several of those factors were the economy, the District's population growth, and unemployment. These factors were taken into account when adopting the General Fund budget for 2021. Amounts available for appropriation in the General Fund budget are \$13,628,580. The District has added no major new programs or initiatives to the 2021 budget.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Princeton Independent School District, 321 Panther Parkway, Princeton, Texas.

## BASIC FINANCIAL STATEMENTS

PRINCETON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2021

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 2,362,955
1120 Current Investments	107,432,980
1220 Property Taxes - Delinquent	906,016
1230 Allowance for Uncollectible Taxes	(8,609)
1240 Due from Other Governments	3,434,278
1410 Prepayments	25,000
Capital Assets:	
1510 Land	10,977,393
1520 Buildings, Net	165,229,893
1530 Furniture and Equipment, Net	5,604,648
1540 Vehicles, Net	1,167,137
1580 Construction in Progress	66,909,981
1000 Total Assets	364,041,672
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflow Related to TRS Pension	7,286,130
1706 Deferred Outflow Related to TRS OPEB	6,887,915
1700 Total Deferred Outflows of Resources	14,174,045
<b>LIABILITIES</b>	
2110 Accounts Payable	3,483,690
2140 Interest Payable	559,670
2150 Payroll Deductions and Withholdings	444,635
2160 Accrued Wages Payable	3,226,588
2180 Due to Other Governments	898,169
2300 Unearned Revenue	84,554
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	1,402,973
Due in More than One Year:	
2502 Bonds, Notes, Leases, etc.	329,750,357
2540 Net Pension Liability (District's Share)	15,074,791
2545 Net OPEB Liability (District's Share)	14,418,231
2000 Total Liabilities	369,343,658
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS Pension	1,907,975
2606 Deferred Inflow Related to TRS OPEB	10,557,841
2600 Total Deferred Inflows of Resources	12,465,816
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	(10,376,255)
Restricted:	
3820 Restricted for Federal and State Programs	555,760
3850 Restricted for Debt Service	4,262,772
3870 Restricted for Campus Activities	335,923
3880 Restricted for Scholarships	151,313
3890 Restricted for Other Purposes	360
3900 Unrestricted	1,476,370
3000 Total Net Position	\$ (3,593,757)

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

PRINCETON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	1	Program Revenues		Net (Expense)	
		3	4	Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	6 Primary Gov. Governmental Activities	
<b>Primary Government:</b>					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 39,264,642	\$ 282,257	\$ 3,247,467	\$ (35,734,918)
12	Instructional Resources and Media Services	501,354	-	-	(501,354)
13	Curriculum and Instructional Staff Development	85,730	-	15,400	(70,330)
21	Instructional Leadership	1,938,473	-	80,999	(1,857,474)
23	School Leadership	4,589,497	-	350,298	(4,239,199)
31	Guidance, Counseling, and Evaluation Services	2,166,270	-	340,704	(1,825,566)
33	Health Services	760,984	-	39,550	(721,434)
34	Student (Pupil) Transportation	1,830,125	-	67,800	(1,762,325)
35	Food Services	3,296,512	231,651	2,872,241	(192,620)
36	Extracurricular Activities	2,927,012	770,731	85,315	(2,070,966)
41	General Administration	1,695,317	-	72,320	(1,622,997)
51	Facilities Maintenance and Operations	5,940,613	41,063	156,787	(5,742,763)
52	Security and Monitoring Services	612,995	-	81,653	(531,342)
53	Data Processing Services	62,972	-	4,237	(58,735)
61	Community Services	397,785	273,187	-	(124,598)
72	Debt Service - Interest on Long-Term Debt	10,682,176	-	-	(10,682,176)
73	Debt Service - Bond Issuance Cost and Fees	760,540	-	-	(760,540)
99	Other Intergovernmental Charges	178,925	-	-	(178,925)
[TP]	TOTAL PRIMARY GOVERNMENT:	\$ 77,691,922	\$ 1,598,889	\$ 7,414,771	(68,678,262)
Data Control Codes	General Revenues:				
	Taxes:				
MT	Property Taxes, Levied for General Purposes			16,784,155	
DT	Property Taxes, Levied for Debt Service			8,654,091	
SF	State Aid - Formula Grants			39,515,373	
GC	Grants and Contributions not Restricted			1,176,152	
IE	Investment Earnings			89,202	
MI	Miscellaneous Local and Intermediate Revenue			895,523	
TR	Total General Revenues			67,114,496	
CN	Change in Net Position			(1,563,766)	
NB	Net Position - Beginning			(2,029,991)	
NE	Net Position - Ending			\$ (3,593,757)	

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

PRINCETON INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 674,258	\$ 46,402	\$ 253,836
1120 Investments - Current	16,726,782	4,542,303	12,278,794
1220 Property Taxes - Delinquent	629,458	276,558	-
1230 Allowance for Uncollectible Taxes	(5,981)	(2,628)	-
1240 Due from Other Governments	2,580,756	2,637	-
1410 Prepayments	-	-	-
1000 Total Assets	<u>\$ 20,605,273</u>	<u>\$ 4,865,272</u>	<u>\$ 12,532,630</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 34,237	\$ -	\$ -
2150 Payroll Deductions and Withholdings Payable	444,635	-	-
2160 Accrued Wages Payable	3,093,167	-	-
2180 Due to Other Governments	281,177	616,992	-
2300 Unearned Revenue	32,277	17,328	-
2000 Total Liabilities	<u>3,885,493</u>	<u>634,320</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	591,200	256,602	-
2600 Total Deferred Inflows of Resources	<u>591,200</u>	<u>256,602</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	-
3480 Retirement of Long-Term Debt	-	3,974,350	-
3490 Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
3510 Construction	2,500,000	-	12,532,630
3600 Unassigned Fund Balance	13,628,580	-	-
3000 Total Fund Balances	<u>16,128,580</u>	<u>3,974,350</u>	<u>12,532,630</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 20,605,273</u>	<u>\$ 4,865,272</u>	<u>\$ 12,532,630</u>

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

60 Bond Const 2020	60 Bond Const 2021	Non-Major Governmental Funds	Total Governmental Funds
\$ 35	\$ 275,251	\$ 394,023	\$ 1,643,805
-	73,885,101	-	107,432,980
-	-	-	906,016
-	-	-	(8,609)
-	-	850,885	3,434,278
25,000	-	-	25,000
<u>\$ 25,035</u>	<u>\$ 74,160,352</u>	<u>\$ 1,244,908</u>	<u>\$ 113,433,470</u>
\$ -	\$ 3,297,364	\$ 33,182	\$ 3,364,783
-	-	-	444,635
-	-	133,421	3,226,588
-	-	-	898,169
-	-	34,949	84,554
-	3,297,364	201,552	8,018,729
-	-	-	847,802
-	-	-	847,802
-	-	555,760	555,760
25,035	70,862,988	-	70,888,023
-	-	-	3,974,350
-	-	487,596	487,596
-	-	-	15,032,630
-	-	-	13,628,580
<u>25,035</u>	<u>70,862,988</u>	<u>1,043,356</u>	<u>104,566,939</u>
<u>\$ 25,035</u>	<u>\$ 74,160,352</u>	<u>\$ 1,244,908</u>	<u>\$ 113,433,470</u>

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PRINCETON INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2021

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$ 104,566,939
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase(decrease) net position.	600,243
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$265,815,745, and the accumulated depreciation was \$55,822,074. In addition, long-term liabilities, including bonds payable of \$216,351,260, and capital leases payable of \$243,126, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. Accrued interest payable on long term debt of \$381,212 is not shown in the fund financial statements, but are shown in the government-wide financial statements. The net effect of including the beginning balances for capital assets (net of depreciation), and long-term debt in the governmental activities, is to increase (decrease) net position.	(6,981,927)
3 Current year capital outlays of \$46,497,645, and long-term debt principal payments of \$2,801,665 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. Accretion on capital appreciation bonds of \$537,335, amortization of bond premiums of \$1,038,243, and interest payable of \$178,458 are recorded in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase (decrease) net position.	49,621,760
4 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes of \$847,802 as revenue, eliminating interfund transactions, reclassifying net bond proceeds of \$117,861,517 and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	(117,013,715)
5 The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(6,602,264)
6 The District is required by GASB 68 to recognize its proportionate share of the net pension liability in the amount of \$15,074,791, a deferred resource inflow in the amount of \$1,907,975, and a deferred resource outflow in the amount of \$7,286,130. The net effect of including the net pension liability, deferred resource inflows, and deferred resource outflows, is to increase (decrease) net position.	(9,696,636)
7 The District is required by GASB 75 to recognize its proportionate share of the OPEB liability in the amount of \$14,418,231, a deferred resource inflow in the amount of \$10,557,841, a deferred resource outflow in the amount of \$6,887,915. The net effect of including the net OPEB liability, deferred resource inflows, and deferred resource outflows, is to increase (decrease) net position.	(18,088,157)
<b>19 Net Position of Governmental Activities</b>	\$ (3,593,757)

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

PRINCETON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 17,712,391	\$ 8,816,047	\$ 14,131
5800 State Program Revenues	40,496,160	1,641,062	-
5900 Federal Program Revenues	553,544	-	-
5020 Total Revenues	<u>58,762,095</u>	<u>10,457,109</u>	<u>14,131</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	33,037,835	-	-
0012 Instructional Resources and Media Services	420,618	-	-
0013 Curriculum and Instructional Staff Development	70,330	-	-
0021 Instructional Leadership	1,597,804	-	-
0023 School Leadership	3,947,967	-	-
0031 Guidance, Counseling, and Evaluation Services	1,650,793	-	-
0033 Health Services	673,788	-	-
0034 Student (Pupil) Transportation	1,435,951	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	1,997,717	-	-
0041 General Administration	1,451,197	-	-
0051 Facilities Maintenance and Operations	5,278,864	-	-
0052 Security and Monitoring Services	482,246	-	-
0053 Data Processing Services	62,972	-	-
0061 Community Services	5,891	-	-
Debt Service:			
0071 Principal on Long-Term Debt	243,126	2,558,539	-
0072 Interest on Long-Term Debt	10,950	9,385,624	-
0073 Bond Issuance Cost and Fees	-	760,540	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	170,460	-	101,969
Intergovernmental:			
0099 Other Intergovernmental Charges	178,925	-	-
6030 Total Expenditures	<u>52,717,434</u>	<u>12,704,703</u>	<u>101,969</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,044,661</u>	<u>(2,247,594)</u>	<u>(87,838)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7901 Refunding Bonds Issued	-	34,640,432	-
7911 Capital Related Debt Issued	-	-	-
7915 Transfers In	-	2,330,966	5,800,000
7916 Premium or Discount on Issuance of Bonds	-	4,861,550	-
8911 Transfers Out (Use)	(8,189,087)	-	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(36,248,517)	-
7080 Total Other Financing Sources (Uses)	<u>(8,189,087)</u>	<u>5,584,431</u>	<u>5,800,000</u>
1200 Net Change in Fund Balances	<u>(2,144,426)</u>	<u>3,336,837</u>	<u>5,712,162</u>
0100 Fund Balance - September 1 (Beginning)	<u>18,273,006</u>	<u>637,513</u>	<u>6,820,468</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 16,128,580</u>	<u>\$ 3,974,350</u>	<u>\$ 12,532,630</u>

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

	60 Bond Const 2020	60 Bond Const 2021	Non-Major Governmental Funds	Total Governmental Funds
\$	19,421	\$ 14,256	\$ 1,156,003	\$ 27,732,249
	-	-	203,952	42,341,174
	-	-	4,385,833	4,939,377
	19,421	14,256	5,745,788	75,012,800
	-	-	1,344,220	34,382,055
	-	-	-	420,618
	-	-	15,400	85,730
	-	-	80,999	1,678,803
	-	-	-	3,947,967
	-	-	229,965	1,880,758
	-	-	-	673,788
	-	-	-	1,435,951
	-	-	2,890,557	2,890,557
	-	-	577,657	2,575,374
	-	-	-	1,451,197
	-	-	-	5,278,864
	-	-	62,160	544,406
	-	-	-	62,972
	-	-	329,765	335,656
	-	-	-	2,801,665
	-	-	-	9,396,574
	-	-	-	760,540
	32,994,430	9,151,268	3,510,180	45,928,307
	-	-	-	178,925
	32,994,430	9,151,268	9,040,903	116,710,707
	(32,975,009)	(9,137,012)	(3,295,115)	(41,697,907)
	-	-	-	34,640,432
	28,215,000	75,900,000	-	104,115,000
	44	-	58,862	8,189,872
	4,785,000	4,100,000	-	13,746,550
	-	-	(785)	(8,189,872)
	-	-	-	(36,248,517)
	33,000,044	80,000,000	58,077	116,253,465
	25,035	70,862,988	(3,237,038)	74,555,558
	-	-	4,280,394	30,011,381
\$	25,035	\$ 70,862,988	\$ 1,043,356	\$ 104,566,939

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

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 74,555,558
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net position.	114,041
Current year capital outlays of \$46,497,645, and long-term debt principal payments of \$2,801,665 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. Accretion on capital appreciation bonds of \$537,335, amortization of bond premiums of \$1,038,243, and interest payable of \$178,458 are recorded in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase (decrease) net position.	49,621,760
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue by \$289,611 to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying net pond proceeds of \$117,861,517 and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	(117,571,906)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(6,602,264)
Current year changes due to GASB 68 increased revenues in the amount of \$1,347,626, but also increased expenses in the amount of \$2,878,538. The impact of these items is to increase (decrease) the change in net position.	(1,530,912)
Current year changes due to GASB 75 increased revenues in the amount of \$521,881, but also increased expenses in the amount of \$371,838. The impact of these items is to increase (decrease) the change in net position.	(150,043)
<b>Change in Net Position of Governmental Activities</b>	\$ (1,563,766)

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

PRINCETON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2021

	Governmental Activities -	
		Internal Service Fund
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 719,150	
Total Assets		719,150
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable		118,907
Total Liabilities		118,907
<b>NET POSITION</b>		
Unrestricted Net Position		600,243
Total Net Position	\$	600,243

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

PRINCETON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2021

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 318,597
Total Operating Revenues	318,597
OPERATING EXPENSES:	
Other Operating Costs	204,556
Total Operating Expenses	204,556
Operating Income	114,041
Total Net Position - September 1 (Beginning)	486,202
Total Net Position - August 31 (Ending)	\$ 600,243

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

PRINCETON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT D-3

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 318,597
Cash Payments for Insurance Claims	(252,634)
Net Cash Provided by Operating Activities	65,963
Net Increase in Cash and Cash Equivalents	65,963
Cash and Cash Equivalents at Beginning of Year	653,187
Cash and Cash Equivalents at End of Year	\$ 719,150
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 114,041
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	(48,078)
Net Cash Provided by Operating Activities	\$ 65,963

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

PRINCETON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2021

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	Custodial Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 17,766
Total Assets	<u>17,766</u>
NET POSITION	
Unrestricted Net Position	<u>17,766</u>
Total Net Position	<u><u>\$ 17,766</u></u>

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

PRINCETON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2021

	Custodial Fund
<b>ADDITIONS:</b>	
Cocurricular Services or Activities	\$ 30,436
Total Additions	<u>30,436</u>
<b>DEDUCTIONS:</b>	
Supplies and Materials	28,968
Total Deductions	<u>28,968</u>
Change in Fiduciary Net Position	1,468
Total Net Position - September 1 (Beginning)	<u>16,298</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 17,766</u></u>

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Princeton Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in GASB Statement No. 76, and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

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

Princeton Independent School District implemented Governmental Accounting Standards Board (GASB) Number 84 *Fiduciary Activities* to improve identification of fiduciary activities for accounting and financial reporting purposes in the current year.

**A. Reporting Entity**

The Board of Trustees is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, *"The Financial Reporting Entity,"* There are no component units included within the reporting entity.

**B. Government-Wide and Fund Financial Statements**

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**Government-wide Financial Statements** - The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Princeton Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Property taxes are always general revenues.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those clearly identifiable within a function. Depreciation expense is specifically identified by function and is included in the direct expense to each function.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid “grossing up” the revenues and expenses of the District as a whole.

**Fund Financial Statements** - The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenditures from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund’s principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor or direct overhead. Other expenses are nonoperating.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. All assets, liabilities, and deferred inflows of resources associated with the operation of the District are included on the Statement of Net Position. 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.

All governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance report the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with a brief explanation to better identify the relationship between government-wide statements and the governmental fund statements. The modified accrual basis of accounting recognizes revenues in the accounting period in which they become measurable and available. For this purpose, the District considers revenues available if they are collected within 60 days of the end of the current fiscal period. It recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgements are recognized when the obligations are expected to be liquidated with expendable available financial resources.

**Revenues – Exchange Transactions** – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current year and are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the District, the phrase “available for exchange transactions” means expected to be received within 60 days of the year-end.

**Revenues – Non-exchange Transactions** – Non-exchange transactions in which the District receives value without directly giving equal value in return, include property taxes, grants, and donations. On the government-wide financial statements, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized in the governmental funds.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible-to-accrual" concept, that is, when they are both measurable and available. The District considers revenues available if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The net position is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

**Expenditures/Expenses** – On the accrual basis of accounting (government-wide financial statements), expenses are recognized at the time there are incurred. On the modified accrual basis (fund financial statements), expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

#### **D. Fund Accounting**

The District reports the following major governmental funds:

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

**Debt Service Fund** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

**Local Capital Projects Fund** – The District accounts for local financial resources to be used for the acquisition, renovation, or construction of major capital projects in this fund.

**Bond Construction Fund – Series 2020** – The District accounts for 2020 bond financial resources to be used for the acquisition, renovation, or construction of major capital projects in this fund.

**Bond Construction Fund – Series 2021** – The District accounts for 2021 bond financial resources to be used for the acquisition, renovation, or construction of major capital projects in this fund.

Additionally, the District reports the following fund types:

##### **Governmental Funds:**

**Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

##### **Proprietary Funds:**

**Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Fund is the Workers Comp Self Insurance Fund. This fund is aggregated in the government-wide Statement of Net Position and Statement of Changes in Net Position.

##### **Fiduciary Funds:**

**Custodial Funds** – The District accounts for resources held for others in a custodial capacity in custodial funds. The District's Custodial Fund is the Student Activity Fund.

#### **E. Encumbrance Accounting**

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and

encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year’s budget. There were no outstanding encumbrances at August 31, 2021 that were subsequently provided for in the next year’s budget for the General Fund.

**F. Other Accounting Policies**

1. **Cash Equivalents** - For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. **Inventories** – Inventories of supplies on the balance sheet are stated at FIFO cost and they include consumable maintenance, instructional, and office items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and initially recorded as an expense. Inventory and expenditures are adjusted periodically subsequent to inventory counts.
3. **Receivables and Payables** – All trade and property tax receivables are shown at face value. The property tax receivable allowance is shown at various rates based upon historical trends of outstanding property taxes receivable as of August 31, 2021.
4. **Long-term Debt** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Amounts recorded as long-term debt represent obligations that will be met by future revenue resources that are not available as of the current balance sheet date.
5. **Vacation and Sick Leave** – Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying basic financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, no liability exists for unused sick leave.
6. **Capital Assets** - Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Classification</u>	<u>Useful Life</u>
Buildings	15-50 years
Building Improvements	15-50 years
Vehicles & Buses	5-10 years
Equipment	5-7 years

The District has no restriction on any capital assets.

7. **Due From/Due To Other Funds** – Interfund receivables and payables arise from interfund transactions and are recorded in all affected funds in the period in which transactions are executed in the normal course of operations. See Note III-E for detailed discussion of interfund receivables and payables.
8. **Net Position/Fund Balance:**

**Net position on the government-wide *Statement of Net Position* includes the following:**

Net Investment in Capital Assets reports the difference between capital assets, net of accumulated depreciation, and the outstanding balance of debt, excluding unspent bond proceeds that are directly attributable to the acquisition, construction or improvement of those capital assets.

Restricted for Federal and State Grant Programs is the component of net position restricted to be spent for specific purposes prescribed by federal and state granting agencies.

Restricted for Debt Service is the component of net position that is restricted for payment of debt service by constraints established by bond covenants.

Restricted for Campus Activities is the component of net position that is restricted for campus activities.

Restricted for Scholarships is the component of net position that is restricted for scholarships.

Unrestricted Net Position is the residual difference between assets, deferred outflows, liabilities, and deferred inflows that is not invested in capital assets or restricted for specific purpose.

Net position represents the difference between assets plus deferred outflow of resources, and liabilities and deferred inflow of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislature adopted by the district or through external restrictions imposed by creditor, grantors, or laws or regulations of other governments. All other net positions are reported as unrestricted.

**Fund balances on the governmental funds' Balance Sheet include the following:**

Non-spendable fund balance is the portion of the gross fund balance that is not expendable because it is either not in spendable form or is legally or contractually required to be maintained intact.

Restricted fund balance includes amounts restricted for a specific purpose by the provider (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects bond funds are restricted by the bondholders for the specific purpose of capital projects and capital outlays. Federal & State grant resources are restricted pursuant to the mandates of the granting agency.

Committed fund balance is that portion of fund balance that is committed to a specific purpose by the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by Board action. These amounts cannot be used for any other purpose unless the Board removes or changes the constraint by exercising the same type of action originally used to commit the funds.

Unassigned fund balance is the difference between the total fund balance and the total of the non-spendable, restrict, and committed fund balances and can be utilized for any legal purpose. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

**9. Control Totals** - The Data Control Codes refer to the account code structure prescribed by Texas Education Agency in the *Financial Accountability System Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with TEA in order to ensure accuracy in building a Statewide data base for policy development and funding plans.

**10. Total Columns on Combined Financial Statements** – These total columns do not purport to present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles.

**11. District's Policy as to Defining Operating & Non-operating Revenues of Proprietary Funds** – Operating revenues are generally defined as those which originate through the ongoing activities of the fund. In contrast, non-operating revenues include, but are not limited to; capital expenditures, transfers, investing and financing activities.

**12. Application of Restricted or Unrestricted Resources** - When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When expenditures are incurred for which committed, or unassigned fund balances are available, the District considers amounts to have been spent first from committed funds, then unassigned funds, as need, unless the Board of Trustees has provided otherwise it its commitment actions.

**13. Grant Fund Accounting** – The Special Revenue Fund includes programs that are financed on a project grant basis. These projects have grant periods that can range from less than twelve months to in excess of three years. Grants are recorded as revenues when earned, which the District considers to be earned to the extent expenditures have been incurred, the District has met all eligibility requirements, and funds are available.

**14. Estimates and Assumptions** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**15. Deferred Outflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Certain deferred charges related to TRS pension and other post-employment benefits are reported as deferred outflows of resources on the government-wide statement of net position.

**16. Deferred Inflows of Resources** - In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. Certain deferred charges related to TRS pension and other post-employment benefits are reported as deferred inflows on the government-wide statement of net position.

## **II. STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY**

### **A. Budgetary Data**

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 in RSI and the other two reports are in Exhibit J-2 and J-3.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

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

Appropriated Budget Funds - Food Service	\$555,760
Nonappropriated Budget Funds-Campus Activity	335,923
Nonappropriated Budget Funds-Canup Early Childhood Center	360
Nonappropriated Budget Funds-Barbara Pool Scholarship Fund	109,408
Nonappropriated Budget Funds-Local Scholarship Funds	18,575
Nonappropriated Budget Funds-FFA Scholarship Fund	23,330
All Special Revenue Funds	<u>\$1,043,356</u>

### III. DETAILED NOTES ON ALL FUNDS & ACCOUNT GROUPS

#### Note A. DEPOSITORY CONTRACT LAW

The funds of the District must be deposited under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District’s agent bank 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.

At August 31, 2021, the carrying amount of the District’s deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$2,362,955, and \$33,547,879 in Lone Star investment accounts and \$73,885,101 in Logic investment accounts. At August 31, 2021 and during the year then ended, the District’s combined deposits **were fully insured** by FDIC insurance or collateralized with securities held by the District’s agent bank in the District’s name, or by letters of credit.

Depository information required to be reported to the Texas Education Agency is as follows:

- a. Depository: Independent Bank, McKinney, Texas
- b. The highest combined balance of cash, savings, and time deposits accounts amounted to \$3,974,144, and occurred during the month of August 2021.
- c. The market value of securities pledged as of the date of the highest combined balance on deposit was \$5,926,919.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$296,402.

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

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

The District has the following recurring fair value measurements as of August 31, 2021:

Cash & Cash Equivalents of \$2,362,955 are valued using quoted market prices (Level 1 inputs).  
Investments in Lone Star accounts of \$33,547,879 are valued using quoted market prices (Level 1 inputs).  
Investments in Logic accounts of \$73,885,101 are valued using quoted market prices (Level 1 inputs).

The District has no investments measured at the Net Asset Value (NAV) per Share or its equivalent.

The **Public Funds Investment Act** (PFIA) (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy, which must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, municipal securities, repurchase agreements, and certain other investments. The investments owned at fiscal year-end are held by the District or its agent in the District's name.

In compliance with the PFIA, the District has adopted a deposit and investment policy, which address the following risks:

Credit Risk is the risk that a security issuer may default on an interest or principal payment. The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by nationally recognized agencies such as Standards and Poor's (S&P) or Moody's Investor Service.

Custodial Credit Risk is the risk that, in the event of the failure of a depository financial institution or counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover its deposits, value of its investments, or collateral securities that are in the possession of an outside party. The PFIA, the District's investment policy, and Government Code Chapter 2257 "Collateral for Public Funds" contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments. The District's funds are deposited and invested under terms of a depository contract with amounts greater than the FDIC coverage protected by approved pledged securities held on behalf of the District.

Concentration of Credit Risk is the risk associated with holding investments that are not pools and full faith credit securities. These risks are controlled by limiting the percentages of these investments in the District's portfolio.

Interest Rate Risk is the risk that interest rates will rise and an investment in a fixed-income security will decrease in value. Interest rate risk is reduced by diversifying, investing in securities with different durations, and laddering maturity dates. The District manages its exposure to interest rate risk by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase.

Foreign Currency Risk is the potential for loss due to fluctuations in exchange rates. The District's policy does not allow for any direct foreign investments, and therefore the District is not exposed to foreign currency risk.

#### **Note B. PROPERTY TAXES**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District 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 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

The assessed value of the roll as of the end of the fiscal year was \$1,730,728,396. The tax rates levied for the fiscal year ended August 31, 2021, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.9698 and \$0.5000 per \$100 valuation, respectively, for a total of \$1.4698 per \$100 valuation. Current year tax collections for the period ended August 31, 2021, were 101.25% of the levy and 100.69% in the prior year.

#### **Note C. DELINQUENT TAXES RECEIVABLE**

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on 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.

#### **Note D. DUE FROM OTHER GOVERNMENTS**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Available School Fund.

Receivables due from other governments as of August 31, 2021 are as follows:

<u>Fund</u>	<u>State Grants</u>	<u>Federal Grants</u>	<u>Other Governments</u>	<u>Totals</u>
General Fund	\$2,575,053	\$0	\$5,703	\$2,580,756
Debt Service Funds	0	0	2,637	2,637
Special Revenue Funds	73,546	777,339	0	850,885
Totals	<u>\$2,648,599</u>	<u>\$777,339</u>	<u>\$8,340</u>	<u>\$3,434,278</u>

**Note E. INTERFUND TRANSACTIONS**

Interfund balances at August 31, 2021, consisted of the following individual receivables & payables:

None

Interfund transfers for the year ended August 31, 2021, consisted of the following individual amounts:

**Transfers to Debt Service Fund from:**

General Fund	<u>\$2,330,966</u>
Total Transferred to Debt Service Fund from Other Funds	<u>\$2,330,966</u>

**Transfers to Local Capital Projects Fund from:**

General Fund	<u>\$5,800,000</u>
Total Transferred to Local Capital Projects Fund from Other Funds	<u>\$5,800,000</u>

**Transfers to Non-Major Governmental Funds from:**

General Fund	<u>\$58,121</u>
Total Transferred to Non-Major Funds from Other Funds	<u>\$58,121</u>

**Transfers to Non-Major Governmental Funds from:**

Non-Major Governmental Funds	<u>\$785</u>
Total Transferred to Non-Major Funds from Other Funds	<u>\$785</u>

**Note F. CAPITAL ASSETS**

A summary of changes in capital assets for the year ended August 31, 2021 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	\$10,287,333	\$690,060	\$0	\$10,977,393
Buildings & Improvements	219,640,776	312,915	0	219,953,691
Equipment	7,950,510	1,925,310	0	9,875,820
Vehicles	3,829,655	37,000	729,850	4,596,505
Capital Lease Equipment	729,850	0	(729,850)	0
Construction in Progress	23,377,621	43,532,360	0	66,909,981
Totals at Historical Cost	<u>265,815,745</u>	<u>46,497,645</u>	<u>0</u>	<u>312,313,390</u>
Less accumulated depreciation for:				
Buildings & Improvements	(49,185,066)	(5,538,732)	0	(54,723,798)
Equipment	(3,483,030)	(788,142)	0	(4,271,172)
Vehicles	(3,008,808)	(275,390)	(145,170)	(3,429,368)
Capital Lease Equipment	(145,170)	0	145,170	0
Total accumulated depreciation	<u>(55,822,074)</u>	<u>(6,602,264)</u>	<u>0</u>	<u>(62,424,338)</u>
Capital Assets, Net	<u>\$209,993,671</u>	<u>\$39,895,381</u>	<u>\$0</u>	<u>\$249,889,052</u>

Depreciation expense for the current year was charged to governmental functions as follows:

11 Instruction	\$3,732,855
12 Instructional Resources & Media Services	63,269
21 Instructional Leadership	189,806
23 School Leadership	442,881
31 Guidance, Counseling, & Evaluation Services	189,806
33 Health Services	63,269
34 Student (Pupil) Transportation	401,927
35 Food Services	316,344
36 Cocurricular/Extracurricular Activities	316,344
41 General Administration	189,806
51 Plant Maintenance & Operations	569,419
52 Security & Monitoring Services	63,269
61 Community Services	63,269
	\$6,602,264
Total Depreciation Expense	\$6,602,264

**Note G. LONG-TERM DEBT**

A summary of changes in long-term debt for the year ended August 31, 2021 is as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due</u> <u>within One</u> <u>Year</u>
Governmental Activities:					
General Obligation Bonds	\$188,215,781	\$136,254,967	(\$34,698,539)	\$289,772,209	\$1,402,973
Accumulated Accretion on CABs	565,010	537,335	0	1,102,345	
Unamortized Bond Premiums on CABs	2,785,575	4,545,155	(468,364)	6,862,366	
Unamortized Bond Premiums on GOBs	24,784,894	9,201,394	(569,878)	33,416,410	
Total Bonds Payable, Government-Wide	\$216,351,260	\$150,538,851	(\$35,736,781)	\$331,153,330	
Capital Leases	243,126	0	(243,126)	0	0
Total Governmental Activities	\$216,594,386	\$150,538,851	(\$35,979,907)	\$331,153,330	\$1,402,973

**Bonds**

The District has entered into a continuing disclosure undertaking to provide annual reports and material event notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2021.

A summary of changes in bonds for the year ended August 31, 2021 is as follows:

<u>Description</u>	<u>Interest Rates Payable</u>	<u>Amounts of Original Issue</u>	<u>Interest Current Year</u>	<u>Beginning</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Amounts</u>
				<u>Amounts Outstanding 9/01/20</u>			<u>Outstanding 8/31/21</u>
Unlimited Tax Bldg Bonds-Series 2010	2.00-3.00%	\$2,680,000	\$29,800	\$1,490,000	\$0	(\$1,490,000)	\$0
Unlimited Tax Refunding Bonds - Series 2011A	2.00-4.00%	\$3,250,000	43,525	2,450,000	0	(2,450,000)	0
Unlimited Tax Bldg Bonds-Series 2012	3.13%	\$3,000,000	46,875	3,000,000	0	(3,000,000)	0
Unlimited Tax Bldg Bonds-Series 2013	5.00%	\$9,490,000	247,250	9,490,000	0	(9,090,000)	400,000
Unlimited Tax Bldg Bonds-Series 2014	4.00%	\$7,090,000	283,600	7,090,000	0	0	7,090,000
Unlimited Tax Refunding Bonds - Series 2015	2.00-5.00%	\$11,960,000	436,375	11,395,000	0	(2,925,000)	8,470,000
Unlimited Tax Bldg Bonds-Series 2015	2.00-3.15%	\$18,655,000	463,125	16,425,000	0	(14,325,000)	2,100,000
Unlimited Tax Refunding Bonds - Series 2016	5.00%	\$22,320,000	1,116,000	22,320,000	0	0	22,320,000
Capital Appreciation Bonds-Series 2016	1.82-3.52%	\$1,509,971	29,851	1,370,781	0	(35,149)	1,335,632
Unlimited Tax Refunding Bonds - Series 2016A	2.00-5.00%	\$17,735,000	723,350	16,975,000	0	(950,000)	16,025,000
Unlimited Tax Bldg Bonds-Series 2017	2.85-5.25%	\$42,330,000	2,222,325	42,330,000	0	0	42,330,000
Unlimited Tax Bldg Bonds-Series 2018	4.00-5.00%	\$30,120,000	1,494,350	30,120,000	0	0	30,120,000
Unlimited Tax Bldg Bonds-Series 2019	4.00%	\$23,760,000	950,400	23,760,000	0	0	23,760,000
Unlimited Tax Bldg Bonds-Series 2020	3.00%	\$28,215,000	548,150		28,215,000		28,215,000
Unlimited Tax Bldg Bonds-Series 2021	3.00-4.00%	\$75,900,000	0		75,900,000		75,900,000
Unlimited Tax Refunding Bonds - Series 2021	1.97-2.82%	\$30,880,000	230,291		30,880,000		30,880,000
Capital Appreciation Bonds-Series 2021	0.35-2.32%	\$1,259,967	66,610		1,259,967	(433,390)	826,577
Total General Obligation Bonds			\$8,931,877	\$188,215,781	\$136,254,967	(\$34,698,539)	\$289,772,209
Accumulated Accretion on CABs				565,010	537,335	0	1,102,345
Unamortized Bond Premiums on CABs				2,785,575	4,545,155	(468,364)	6,862,366
Unamortized Bond Premiums on GOBs				24,784,894	9,201,394	(569,878)	33,416,410
<b>Government-Wide Financials</b>				<b>\$216,351,260</b>	<b>\$150,538,851</b>	<b>(\$35,736,781)</b>	<b>\$331,153,330</b>

On May 5, 2021, the District issued Series 2021 refunding bonds totaling \$30,880,000, to early redeem Series 2010, 2011A, 2012, 2013, & 2015 bonds totaling \$32,140,000. The aggregate difference in debt service between the refunding debt and the refunded debt is a savings of \$4,809,539, which is a net present value economic gain of \$4,468,569.

A portion of the above bonds were capital appreciation bonds, commonly referred to as “premium compound interest bonds”. These bonds were issued at a discount to their par or maturity value and will accrete interest until maturity. The accreted value equals the par value plus accreted interest plus the unamortized bond premium.

Summary information for the capital appreciation bonds is as follows:

<u>Series</u>	<u>Capital Appreciation Bonds</u>	
	<u>Stated Value</u>	<u>Accreted Value, 8/31/21</u>
2016	\$1,335,632	\$4,799,021
2021	826,577	5,327,898

Debt service requirements for bonds are as follows:

<u>Year Ending August 31,</u>	<u>Bonds</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2022	\$1,402,973	\$12,515,589	\$13,918,562
2023	1,353,851	11,932,871	13,286,722
2024	1,387,726	12,022,371	13,410,097
2025	2,218,625	11,795,472	14,014,097
2026	2,454,554	12,576,943	15,031,497
2027-2031	14,442,911	61,282,775	75,725,686
2032-2036	26,546,569	51,800,812	78,347,381
2037-2041	54,735,000	42,982,538	97,717,538
2042-2046	79,950,000	29,611,324	109,561,324
2047-Maturity	105,280,000	9,406,731	114,686,731
Total Bonds	<u>\$289,772,209</u>	<u>\$255,927,426</u>	<u>\$545,699,635</u>

### Capital Leases

On September 5, 2018, the District entered into a capital lease for the purchase of seven school buses under lawful authority Local Government Code 271. The buses were capitalized for \$729,850. The minimum annual payment is \$254,076. The effective rate of interest was 4.50%. This capital lease was during the year ending August 31, 2021.

Debt service requirements for capital leases are as follows:

None

### Note H. DUE TO OTHER GOVERNMENTS

As of August 31, 2021, the District owed \$281,177 to Texas Education Agency for 2020-2021 state foundation revenue settle-up, and \$396,701 for existing debt allotment, and \$220,291 for instructional facility allotment. The Texas Education Agency will deduct these amounts from the District’s 2021-2022 state revenues.

### Note I. UNEARNED REVENUE & UNAVAILABLE REVENUE

Unearned revenue is that portion of the net revenue receivable which is expected to be collected within the first 60 days following the fiscal year end. Unavailable revenue is that portion of the net revenue receivable which is not expected to be collected within the first 60 days following the fiscal year end.

Unearned revenue and Unavailable revenue at August 31, 2021 consisted of the following:

	<u>Special Revenue</u>			<u>Totals</u>
	<u>General Fund</u>	<u>Fund</u>	<u>Debt Service Fund</u>	
Unearned Revenue:				
Property Tax Revenue	\$32,277	\$0	\$17,328	\$49,605
Local Food Service Revenue	0	34,949	0	34,949
Total Unearned Revenue	<u>\$32,277</u>	<u>\$34,949</u>	<u>\$17,328</u>	<u>\$84,554</u>
Unavailable Revenue:				
Property Tax Revenue	\$591,200	\$0	\$256,602	\$847,802
Total Unavailable Revenue	<u>\$591,200</u>	<u>\$0</u>	<u>\$256,602</u>	<u>\$847,802</u>

**Note J. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

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

	<u>Special Revenue</u>				<u>Totals</u>
	<u>General Fund</u>	<u>Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	
Property Taxes	\$17,024,911	\$0	\$8,730,074	\$0	\$25,754,985
Penalties, Interest, & Other Tax					
Related Income	199,114	0	79,974	0	279,088
Investment Income	27,735	6,937	5,999	48,531	89,202
Services to Other LEAs	158,700	0	0	0	158,700
Tuition	2,516	271,644	0	0	274,160
Rent	41,063	0	0	0	41,063
Gifts & Bequests	0	10,085	0	0	10,085
Food Service Sales	0	236,860	0	0	236,860
Athletics	140,977	0	0	0	140,977
Co-curricular	0	629,754	0	0	629,754
Other	117,375	0	0	0	117,375
Totals	<u>\$17,712,391</u>	<u>\$1,155,280</u>	<u>\$8,816,047</u>	<u>\$48,531</u>	<u>\$27,732,249</u>

**Note K. RISK MANAGEMENT**

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

**Health Care Coverage**

The District offers all employees health care coverage under the TRS Active Care insurance plan, which is a statewide health coverage program for public education employees established by the 77<sup>th</sup> Texas Legislature. The District contributed \$300 per month per enrolled employee to the Plan, and employees, at their option, authorized payroll withholdings to pay the additional cost of premiums for themselves and dependents.

**CAS Workers Compensation Coverage**

The District was self-funded for workers compensation insurance and has an interlocal agreement with Claims Administration Services, Inc. (CAS) to serve as the District's third-party administrator. Transactions related to the plan are accounted for in the Workers Compensation Self Insurance Fund, an internal service fund of the District. The District makes all contributions to the fund. Claims Administrative Services, Inc. obtained excess loss insurance, which limited annual claims paid from the entire fund for the year ended August 31, 2021, to \$350,000 for any individual participant. At August 31, 2021, the District's unpaid claims totaled \$118,907, which includes incurred but not reported claims. The liability is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information obtained prior to the issuance of the financial

statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount. Claims are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Changes in the balances of claims liabilities during the past two years are as follows:

	<u>Year Ended August 31, 2020</u>	<u>Year Ended August 31, 2021</u>
Unpaid claims, beginning of fiscal year	\$228,791	\$166,985
Incurred claims (including IBNR's)	210,270	204,556
Claim payments	<u>(272,076)</u>	<u>(252,634)</u>
Unpaid claims, end of fiscal year	<u>\$166,985</u>	<u>\$118,907</u>

### **TASB Workers Compensation Coverage**

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

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

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

### **TASB Auto, Liability, & Property Programs**

During the year ended August 31, 2021, Princeton ISD participated in the following Risk Management Fund Programs:

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

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

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

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

### **Litigation and Contingencies**

The District may be subjected to loss contingencies arising principally in the normal course of operations. In the opinion of the administration, the outcome of any lawsuits will not have a material adverse effect on the accompanying financial statements and accordingly no provision for losses has been recorded.

### **State and Federal Programs**

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies. Therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at August 31, 2021 may be impaired. In the opinion of the District, there are no significant contingent liabilities related to compliance with rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

### **Construction Commitments**

The District was obligated at August 31, 2021, under contracts for construction of a 9<sup>th</sup> & 10<sup>th</sup> grade center, a new elementary, and a new middle school. The construction in progress for these projects totaled \$66,909,981 as of August 31, 2021, including retainage payable for these projects totaling \$3,297,364. The outstanding construction commitments associated with these projects including retainage payable totaled approximately \$59,591,700 as of August 31, 2021.

### **Note L. DEFINED BENEFIT PENSION PLAN**

**Plan Description.** Princeton Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS) 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.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

**Pension Plan Fiduciary Net Position.** Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <http://www.trs.texas.gov>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2020 Comprehensive Annual Financial Report by TRS provides the following information regarding components of the Net Pension Liability of the Pension plan as of August 31, 2020:

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 218,974,205,084
Less: Plan Fiduciary Net Position	<u>165,416,245,243</u>
Net Pension Liability	<u>\$ 53,557,959,841</u>
<b>Net position as a percentage of total pension liability</b>	<b>75.54%</b>

**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 benefits are established or amended under the authority of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The Board of Trustees does not have the authority to establish or amend benefits. State law requires the plan to be actuarially sound in order for the Legislature to consider a benefit enhancement, such as supplemental payment to the retirees. In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. These increases immediately made the pension fund actuarially sound and the legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

**Contributions.** Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual

compensation paid to members of the system during the fiscal year. Texas Government Code Section 821.006 prohibits benefit improvements if it increases the period of TRS' unfunded actuarial liability to greater than 31 years or, if the amortization period already exceed 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

Employee contribution rates are set in state statute, Texas Government Code 825.402. SB12 in the 86th Legislature set contribution rates for fiscal year 2020 and fiscal year 2021. Beginning September 1, 2019, all employers are required to pay the Public Education Employer contribution of 1.5%. Contribution Rates can be found in the TRS 2020 CAFR, Note 11, on page 82.

**Contribution Rates**

	<b>2020</b>	<b>2021</b>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
District's 2021 FY Employer Contributions		\$ 1,303,790
District's 2021 FY Member Contributions		\$ 2,993,408
Measurement Year NECE On-Behalf Contributions		\$ 1,895,567

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. 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 Plan during the fiscal year reduced by the employer contributions. Employers (including public schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code
- During a new member's first 90 days of employment
- When any part or all of an employee's salary is paid by federal funding sources or a privately sponsored source.

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

- Employers must contribute 1.5% of the member's salary ("Public Education Employer Surcharge").
- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

***Actuarial Assumptions.***

**Roll Forward** - The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the total pension liability to August 31, 2020.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July 2018.

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

The following table discloses the assumptions that were applied to this measurement period.

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Rate	7.25%
Municipal Bond Rate as of August, 2020	2.33% - Source for the rate is the Fixed Income Market
Data/Yield Curve/Data 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."

Last year ending August 31 in	
Projection Period (100 years)	2119
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc Post Employment Benefit Changes	None

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

**Discount Rate.** The single discount rate used to measure the total pension liability was 7.25%. 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 the discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the statutorily required rates set by the Legislature during the 2019 legislative session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.66% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected 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.

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2020, are presented in the Asset Allocations the following table from the TRS Comprehensive Annual Financial Report for 2020, page 53.

Asset Class	Target Allocation <sup>1</sup> %	Long-Term Expected Geometric Real <sup>2</sup> Rate of Return	Expected Contribution to Long- Term Portfolio Returns
<b>Global Equity</b>			
USA	18.0 %	3.9 %	0.99 %
Non-U.S. Developed	13.0	5.1	0.92
Emerging Markets	9.0	5.6	0.83
Private Equity	14.0	6.7	1.41
<b>Stable Value</b>			
Government Bonds	16.0 %	(0.7)%	(0.05)%
Absolute Return (Including Credit Sensitive Investments)	—	1.8	—
Stable Value Hedge Funds	5.0	1.9	0.11
<b>Real Return</b>			
Real Estate	15.0 %	4.6 %	1.02 %
Energy, Natural Resources, and Infrastructure	6.0	6.0	0.42
Commodities	—	0.8	—
<b>Risk Parity</b>			
Risk Parity	8.0 %	3.0 %	0.30 %
<b>Asset Allocation Leverage</b>			
Cash	2.0 %	(1.5)%	(0.03)%
Asset Allocation Leverage	(6.0)	(1.3)	0.08
Inflation Expectation			2.00 %
Volatility Drag <sup>3</sup>			(0.67)%
<b>Expected Return</b>	<b>100.0 %</b>		<b>7.33 %</b>

<sup>1</sup> Target allocations are based on the FY2020 policy model.  
<sup>2</sup> Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020).  
<sup>3</sup> The volatility drag results from the conversion between arithmetic and geometric mean returns.

**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. The discount rate can be found in the 2020 TRS CAFR, Note 11, page 84.

	1% Decrease in Discount Rate (6.25%)	Current Single Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability:	\$ 23,245,058	\$ 15,074,791	\$ 8,436,628

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At August 31, 2021, Princeton Independent School District reported a liability of \$15,074,791 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Princeton Independent School District. The amount recognized by Princeton Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Princeton Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 15,074,791
State's proportionate share that is associated with the District	<u>24,604,473</u>
Total	<u>\$ 39,679,264</u>

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

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.000281466871% compared to 0.000254866652% at August 31, 2019.

**Changes In Actuarial Assumptions Since the Prior Actuarial Valuation** – There were no changes in assumptions since the prior measurement date.

**Changes in Benefits** - In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. The increases immediately made the pension fund actuarially sound, and the Legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018, received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

For the year ended August 31, 2021, Princeton Independent School District recognized pension expense of \$2,959,492 and revenue of \$2,959,492 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2021, Princeton Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 27,525	\$ 420,697
Changes in actuarial assumptions	3,497,888	1,487,278
Net Difference between projected and actual investment earnings	305,176	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,151,751	
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	1,303,790	
Total	\$ 7,286,130	\$ 1,907,975

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

Year ended August 31:	Pension Expense Amount
2022	\$ 1,064,599
2023	1,242,348
2024	1,083,485
2025	558,639
2026	73,948
Thereafter	51,346

**Note M. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**

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

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

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2020 are as follows:

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 40,010,833,815
Less: plan fiduciary net position	<u>(1,996,317,932)</u>
Net OPEB liability	<u>\$ 38,014,515,883</u>
<b>Net position as a percentage of total OPEB liability</b>	<b>4.99%</b>

**Benefits Provided.** TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension system. Eligible non-Medicare retirees and their dependents may pay premiums to participate in the high-deductible health plans. 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 General Appropriations Act passed by the 86th Legislature included funding to maintain TRS Care premiums at their current level through 2021. The 86th Legislature also passed SB 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures. This amount is estimated at \$277,490,586 as of August 31, 2020.

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

TRS-Care Monthly Premium Rates

	<u>Medicare</u>	<u>Non-Medicare</u>
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 participating employers based on active employee compensation. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of salary. Section 1575.204 establishes a public-school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75% of each active employee's pay for fiscal year 2020. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2021</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding Remitted by Employers	1.25%	1.25%
District's 2021 FY Employer Contributions		\$ 314,191
District's 2021 FY Member Contributions		\$ 252,692
Measurement Year NECE On-Behalf Contributions		\$ 387,375

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.

A supplemental appropriation was authorized by Senate Bill 1264 of the 86th Texas Legislature to provide \$2,208,137 for fiscal year 2020 and \$3,312,206 for fiscal year 2021, for consumer protections against medical and health care billing by certain out-of-network providers. Funding will be in fiscal year 2021.

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

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Salary Increases
Rates of Disability	

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 Rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on Plan Specific Experience
Election Rates participation after age 65. 25% pre-65	Normal Retirement: 65% participation prior to age 65 and 40% retirees are assumed to discontinue coverage at age 65.
Expenses health care benefits are included in the	Third-party administrative expenses related to the delivery of age-adjusted claims costs.
Projected Salary Increases	3.05% - 9.05%, including inflation
Ad-hoc Post Employment Benefit Changes	None

The initial medical trend rates were 9.00% for Medicare retirees and 7.30% for non-Medicare retirees. There was an initial prescription drug trend rate of 9.00% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.

**Discount Rate.** A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of .30% in the discount rate since the previous year. The Discount Rate can be found in the 2020 TRS CAFR on page 76. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate.

**Sensitivity of the Net OPEB Liability:**

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District's proportionate share of the Net OPEB Liability:	\$ 17,301,844	\$ 14,418,231	\$ 12,140,590

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability:	\$ 11,777,847	\$ 14,418,231	\$ 17,934,848

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.** At August 31, 2021, Princeton Independent School District reported a liability of \$14,418,231 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 Princeton Independent School District were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 14,418,231
State's proportionate share that is associated with the District	<u>19,374,646</u>
Total	<u>\$ 33,792,877</u>

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

At August 31, 2020 the employer's proportion of the collective Net OPEB Liability was 0.000379282236% compared to the 0.000323705077% as of August 31, 2019.

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

The discount rate changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020. This change increased the Total OPEB liability (TOL).

The participation rate for post-65 retirees was lowered from 50% to 40%. This change lowered the Total OPEB Liability.

The ultimate health care trend assumption was lowered from 4.50% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB liability.

**Changes in Benefit Terms:** There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2021, Princeton Independent School District recognized OPEB expense of \$(134,530) and revenue of \$(134,530) for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$754,933	\$6,598,520
Changes in actuarial assumptions	889,305	3,959,321
Net Difference between projected and actual investment earnings	4,686	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	4,924,800	
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	314,191	
Total	\$6,887,915	\$10,557,841

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

Year ended August 31:	OPEB Expense Amount
2022	\$ (817,326)
2023	(817,952)
2024	(818,310)
2025	(818,214)
2026	(433,099)
Thereafter	(279,215)

**Note N. MEDICARE PART D**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire payroll reported by all reporting entities. State Contributions for Medicare Part D made on behalf of Princeton Independent School District's employees were \$172,669, \$152,104, and \$99,830, respectively for fiscal years ended August 31, 2021, 2020, and 2019.

**Note O. JOINT VENTURES – SHARED SERVICE ARRANGEMENTS**

The District participates in shared services arrangements for Special Education Services, with the Education Service Center, Region X. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Princeton Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement.

**Note P. SUBSEQUENT EVENTS**

In reviewing its financial statements, management has evaluated events subsequent to the balance sheet date through December 11, 2021, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

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PRINCETON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 17,182,570	\$ 17,980,570	\$ 17,712,391	\$ (268,179)
5800 State Program Revenues	40,381,003	41,224,003	40,496,160	(727,843)
5900 Federal Program Revenues	333,000	753,000	553,544	(199,456)
5020 Total Revenues	<u>57,896,573</u>	<u>59,957,573</u>	<u>58,762,095</u>	<u>(1,195,478)</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	34,529,687	34,883,687	33,037,835	1,845,852
0012 Instructional Resources and Media Services	464,595	472,595	420,618	51,977
0013 Curriculum and Instructional Staff Development	115,000	115,000	70,330	44,670
0021 Instructional Leadership	1,689,708	1,708,708	1,597,804	110,904
0023 School Leadership	3,710,839	3,956,839	3,947,967	8,872
0031 Guidance, Counseling, and Evaluation Services	1,628,857	1,660,857	1,650,793	10,064
0033 Health Services	652,322	677,322	673,788	3,534
0034 Student (Pupil) Transportation	1,559,977	1,629,236	1,435,951	193,285
0036 Extracurricular Activities	1,782,417	2,090,158	1,997,717	92,441
0041 General Administration	1,514,915	1,556,915	1,451,197	105,718
0051 Facilities Maintenance and Operations	5,544,451	6,495,451	5,278,864	1,216,587
0052 Security and Monitoring Services	529,290	536,290	482,246	54,044
0053 Data Processing Services	79,968	79,968	62,972	16,996
0061 Community Services	16,856	16,856	5,891	10,965
Debt Service:				
0071 Principal on Long-Term Debt	232,648	252,648	243,126	9,522
0072 Interest on Long-Term Debt	10,951	10,951	10,950	1
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	585,000	170,460	414,540
Intergovernmental:				
0099 Other Intergovernmental Charges	186,000	186,000	178,925	7,075
6030 Total Expenditures	<u>54,248,481</u>	<u>56,914,481</u>	<u>52,717,434</u>	<u>4,197,047</u>
1100 Excess of Revenues Over Expenditures	3,648,092	3,043,092	6,044,661	3,001,569
<b>OTHER FINANCING SOURCES (USES):</b>				
8911 Transfers Out (Use)	(2,356,612)	(8,202,678)	(8,189,087)	13,591
1200 Net Change in Fund Balances	1,291,480	(5,159,586)	(2,144,426)	3,015,160
0100 Fund Balance - September 1 (Beginning)	18,273,006	18,273,006	18,273,006	-
3000 Fund Balance - August 31 (Ending)	<u>\$ 19,564,486</u>	<u>\$ 13,113,420</u>	<u>\$ 16,128,580</u>	<u>\$ 3,015,160</u>

PRINCETON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018
District's Proportion of the Net Pension Liability (Asset)	0.000281467%	0.000254867%	0.000238117%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 15,074,791	\$ 13,248,765	\$ 13,106,555
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	24,605,473	19,866,717	20,144,045
Total	<u>\$ 39,680,264</u>	<u>\$ 33,115,482</u>	<u>\$ 33,250,600</u>
District's Covered Payroll	\$ 35,328,850	\$ 28,487,630	\$ 25,785,913
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	42.67%	46.51%	50.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.54%	75.24%	73.74%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

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

FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
0.000228887%	0.000227715%	0.000204461%	0.000129866%
\$ 7,318,563	\$ 8,605,009	\$ 7,227,424	\$ 3,468,901
11,237,637	13,002,658	11,585,594	9,619,514
<u>\$ 18,556,200</u>	<u>\$ 21,607,667</u>	<u>\$ 18,813,018</u>	<u>\$ 13,088,415</u>
\$ 23,780,265	\$ 22,602,950	\$ 19,628,010	\$ 18,101,967
30.78%	38.07%	36.82%	19.16%
82.17%	78.00%	78.43%	83.25%

PRINCETON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2021

	2021	2020	2019
Contractually Required Contribution	\$ 1,303,790	\$ 1,161,007	\$ 1,064,160
Contribution in Relation to the Contractually Required Contribution	1,303,790	1,161,007	1,064,160
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 38,875,416	\$ 35,328,850	\$ 28,487,630
Contributions as a Percentage of Covered Payroll	3.35%	3.29%	3.74%

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

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

	2018	2017	2016	2015
\$	802,065	\$ 896,865	\$ 861,858	\$ 727,121
	802,065	896,865	861,858	727,121
\$	-	\$ -	\$ -	\$ -
\$	25,785,913	\$ 23,780,265	\$ 22,602,950	\$ 19,628,010
	3.11%	3.77%	3.81%	3.70%

PRINCETON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.000379282%	0.000323705%	0.000308816%	\$ 0.000282186%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 14,418,231	\$ 15,308,408	\$ 15,419,473	\$ 12,271,226
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	19,374,646	20,341,452	21,951,876	\$ 18,458,585
Total	<u>\$ 33,792,877</u>	<u>\$ 35,649,860</u>	<u>\$ 37,371,349</u>	<u>\$ 30,729,811</u>
District's Covered Payroll	\$ 35,328,850	\$ 28,487,630	\$ 25,785,913	\$ 23,780,265
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	40.81%	53.74%	59.80%	\$ 51.60%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	\$ 0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date of August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

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

PRINCETON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR FISCAL YEAR 2021

	2021	2020	2019	2018
Contractually Required Contribution	\$ 314,191	\$ 287,746	\$ 233,739	\$ 213,028
Contribution in Relation to the Contractually Required Contribution	314,191	287,746	233,739	213,028
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 38,875,416	\$ 35,328,850	\$ 28,487,630	\$ 25,785,913
Contributions as a Percentage of Covered Payroll	0.81%	0.81%	0.82%	0.83%

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

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

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

**A. Notes to Schedules for the TRS Pension**

***Changes of Benefit terms:***

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. The increases immediately made the pension fund actuarially sound, and the Legislature approved funding for a 13th check.

All eligible members retired as of December 31, 2018, received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

***Changes of Assumptions:***

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

**B. Notes to Schedules for the TRS OPEB Plan**

***Changes in Benefits:***

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

***Changes in Assumptions:***

The following assumptions, methods and plan changes which are specific to TRS-Care were updated from the prior year's report:

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

COMBINING STATEMENTS

PRINCETON INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2021

Data Control Codes	211 ESSA I, A Improving Basic Program	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 National Breakfast and Lunch Program	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ (166,244)	\$ (259,558)	\$ (4,551)	\$ 398,113
1240	Due from Other Governments	166,244	259,558	4,551	305,364
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 703,477</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 1,330
2160	Accrued Wages Payable	-	-	-	111,438
2300	Unearned Revenue	-	-	-	34,949
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,717</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	555,760
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>555,760</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 703,477</u>

244 Career and Technical - Basic Grant	255 ESSA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	281 ESSER II Emergency Relief Grant	282 ESSER III Emergency Relief Grant	410 Instructional Materials Allotment	429 School Safety & Security Grant	461 Campus Activity Funds
\$ (4,497)	\$ (6,483)	\$ 31,852	\$ -	\$ (30,642)	\$ (13,786)	\$ (59,760)	\$ 335,923
4,497	6,483	-	-	30,642	13,786	59,760	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 335,923</u>
\$ -	\$ -	\$ 31,852	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>31,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	335,923
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>335,923</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 335,923</u>

PRINCETON INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2021

Data Control Codes	489 Day Care Fund	496 Nellie Canup Early Childhood Ctr	497 Barbara Pool Scholarship Fund	498 Local Scholarship Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 21,983	\$ 360	\$ 109,408	\$ 18,575
1240 Due from Other Governments	-	-	-	-
1000 Total Assets	<u>\$ 21,983</u>	<u>\$ 360</u>	<u>\$ 109,408</u>	<u>\$ 18,575</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	21,983	-	-	-
2300 Unearned Revenue	-	-	-	-
2000 Total Liabilities	<u>21,983</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
3490 Other Restricted Fund Balance	-	360	109,408	18,575
3000 Total Fund Balances	<u>-</u>	<u>360</u>	<u>109,408</u>	<u>18,575</u>
4000 Total Liabilities and Fund Balances	<u>\$ 21,983</u>	<u>\$ 360</u>	<u>\$ 109,408</u>	<u>\$ 18,575</u>

499 FFA Scholarship Fund	Total Nonmajor Special Revenue Funds	690 2019 Bond Construction	699 2018 Bond Construction	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 23,330	\$ 394,023	\$ -	\$ -	\$ -	\$ 394,023
-	850,885	-	-	-	850,885
<u>\$ 23,330</u>	<u>\$ 1,244,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,244,908</u>
\$ -	\$ 33,182	\$ -	\$ -	\$ -	\$ 33,182
-	133,421	-	-	-	133,421
-	34,949	-	-	-	34,949
<u>-</u>	<u>201,552</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>201,552</u>
-	555,760	-	-	-	555,760
23,330	487,596	-	-	-	487,596
<u>23,330</u>	<u>1,043,356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,043,356</u>
<u>\$ 23,330</u>	<u>\$ 1,244,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,244,908</u>

PRINCETON INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	211 ESSA I, A Improving Basic Program	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 National Breakfast and Lunch Program
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 240,237
5800 State Program Revenues	-	-	-	13,496
5900 Federal Program Revenues	500,393	790,018	9,963	2,858,745
5020 Total Revenues	500,393	790,018	9,963	3,112,478
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	500,393	576,595	9,963	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	213,423	-	-
0035 Food Services	-	-	-	2,890,557
0036 Extracurricular Activities	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	-	-	-	-
<b>Capital Outlay:</b>				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	500,393	790,018	9,963	2,890,557
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	221,921
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	221,921
0100 Fund Balance - September 1 (Beginning)	-	-	-	333,839
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 555,760

244 Career and Technical - Basic Grant	255 ESSA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	281 ESSER II Emergency Relief Grant	282 ESSER III Emergency Relief Grant	410 Instructional Materials Allotment	429 School Safety & Security Grant	461 Campus Activity Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	632,381
-	-	-	-	-	128,296	62,160	-
28,872	58,630	49,879	58,691	30,642	-	-	-
28,872	58,630	49,879	58,691	30,642	128,296	62,160	632,381
28,872	-	12,110	58,691	14,100	128,296	-	-
-	15,400	-	-	-	-	-	-
-	43,230	37,769	-	-	-	-	-
-	-	-	-	16,542	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	577,360
-	-	-	-	-	-	62,160	-
-	-	-	-	-	-	-	-
28,872	58,630	49,879	58,691	30,642	128,296	62,160	577,360
-	-	-	-	-	-	-	55,021
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	55,021
-	-	-	-	-	-	-	280,902
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	335,923

PRINCETON INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	489 Day Care Fund	496 Nellie Canup Early Childhood Ctr	497 Barbara Pool Scholarship Fund	498 Local Scholarship Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 271,644	\$ 4	\$ 767	\$ 10,085
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>271,644</u>	<u>4</u>	<u>767</u>	<u>10,085</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	-	-	2,150	13,050
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	297	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	329,765	-	-	-
<b>Capital Outlay:</b>				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>329,765</u>	<u>297</u>	<u>2,150</u>	<u>13,050</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(58,121)</u>	<u>(293)</u>	<u>(1,383)</u>	<u>(2,965)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	58,121	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>58,121</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	(293)	(1,383)	(2,965)
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>653</u>	<u>110,791</u>	<u>21,540</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 360</u>	<u>\$ 109,408</u>	<u>\$ 18,575</u>

499 FFA Scholarship Fund	Total Nonmajor Special Revenue Funds	690 2019 Bond Construction	699 2018 Bond Construction	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 162	\$ 1,155,280	\$ 723	\$ -	\$ 723	\$ 1,156,003
-	203,952	-	-	-	203,952
-	4,385,833	-	-	-	4,385,833
162	5,745,065	723	-	723	5,745,788
-	1,344,220	-	-	-	1,344,220
-	15,400	-	-	-	15,400
-	80,999	-	-	-	80,999
-	229,965	-	-	-	229,965
-	2,890,557	-	-	-	2,890,557
-	577,657	-	-	-	577,657
-	62,160	-	-	-	62,160
-	329,765	-	-	-	329,765
-	-	3,410,180	100,000	3,510,180	3,510,180
-	5,530,723	3,410,180	100,000	3,510,180	9,040,903
162	214,342	(3,409,457)	(100,000)	(3,509,457)	(3,295,115)
-	58,121	741	-	741	58,862
-	-	(44)	(741)	(785)	(785)
-	58,121	697	(741)	(44)	58,077
162	272,463	(3,408,760)	(100,741)	(3,509,501)	(3,237,038)
23,168	770,893	3,408,760	100,741	3,509,501	4,280,394
\$ 23,330	\$ 1,043,356	\$ -	\$ -	\$ -	\$ 1,043,356

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REQUIRED TEXAS EDUCATION AGENCY SCHEDULES

PRINCETON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED AUGUST 31, 2021

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2012 and prior years	\$ 1.040000	\$ 0.433600	\$ 500,959,484
2013	1.040000	0.440000	495,202,326
2014	1.040000	0.470000	529,167,508
2015	1.170000	0.450000	577,071,983
2016	1.170000	0.450000	636,093,741
2017	1.170000	0.450000	743,481,589
2018	1.170000	0.450000	946,572,320
2019	1.170000	0.450000	1,197,576,276
2020	1.068350	0.500000	1,466,566,684
2021 (School year under audit)	0.969800	0.500000	1,730,728,396
1000 TOTALS			

(10) Beginning Balance 9/1/2020	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2021
\$ 135,028	\$ -	\$ 10,434	\$ 4,350	\$ (9,225)	\$ 111,019
14,890	-	2,095	886	580	12,489
21,633	-	6,477	2,927	5,565	17,794
23,757	-	40,179	15,453	51,289	19,414
25,467	-	40,972	15,759	51,966	20,702
38,598	-	70,531	27,128	100,849	41,788
34,922	-	75,416	29,006	178,807	109,307
75,818	-	105,259	40,484	227,812	157,887
210,650	-	48,442	22,671	34,349	173,886
-	25,438,246	16,625,106	8,571,410	-	241,730
<u>\$ 580,763</u>	<u>\$ 25,438,246</u>	<u>\$ 17,024,911</u>	<u>\$ 8,730,074</u>	<u>\$ 641,992</u>	<u>\$ 906,016</u>

PRINCETON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 572,000	\$ 372,000	\$ 240,237	\$ (131,763)
5800 State Program Revenues	12,000	12,000	13,496	1,496
5900 Federal Program Revenues	2,423,367	2,623,367	2,858,745	235,378
5020 Total Revenues	<u>3,007,367</u>	<u>3,007,367</u>	<u>3,112,478</u>	<u>105,111</u>
EXPENDITURES:				
Current:				
0035 Food Services	<u>3,007,367</u>	<u>3,182,367</u>	<u>2,890,557</u>	<u>291,810</u>
6030 Total Expenditures	<u>3,007,367</u>	<u>3,182,367</u>	<u>2,890,557</u>	<u>291,810</u>
1200 Net Change in Fund Balances	-	(175,000)	221,921	396,921
0100 Fund Balance - September 1 (Beginning)	<u>333,839</u>	<u>333,839</u>	<u>333,839</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 333,839</u>	<u>\$ 158,839</u>	<u>\$ 555,760</u>	<u>\$ 396,921</u>

PRINCETON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 8,847,000	\$ 8,847,000	\$ 8,816,047	\$ (30,953)
5800 State Program Revenues	1,633,325	1,633,325	1,641,062	7,737
5020 Total Revenues	10,480,325	10,480,325	10,457,109	(23,216)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	730,291	2,558,539	2,558,539	-
0072 Interest on Long-Term Debt	11,363,000	9,586,623	9,385,624	200,999
0073 Bond Issuance Cost and Fees	12,000	765,000	760,540	4,460
6030 Total Expenditures	12,105,291	12,910,162	12,704,703	205,459
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,624,966)	(2,429,837)	(2,247,594)	182,243
OTHER FINANCING SOURCES (USES):				
7901 Refunding Bonds Issued	-	34,639,967	34,640,432	465
7915 Transfers In	2,330,966	2,330,966	2,330,966	-
7916 Premium or Discount on Issuance of Bonds	-	4,861,550	4,861,550	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(36,248,517)	(36,248,517)	-
7080 Total Other Financing Sources (Uses)	2,330,966	5,583,966	5,584,431	465
1200 Net Change in Fund Balances	706,000	3,154,129	3,336,837	182,708
0100 Fund Balance - September 1 (Beginning)	637,513	637,513	637,513	-
3000 Fund Balance - August 31 (Ending)	\$ 1,343,513	\$ 3,791,642	\$ 3,974,350	\$ 182,708

PRINCETON INDEPENDENT SCHOOL DISTRICT  
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES  
FOR THE YEAR ENDED AUGUST 31, 2021

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**Section A: Compensatory Education Programs**

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
<hr/>		
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
<hr/>		
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$4,717,139
<hr/>		
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	\$3,752,902
<hr/>		

**Section B: Bilingual Education Programs**

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
<hr/>		
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
<hr/>		
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$505,095
<hr/>		
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	\$448,314
<hr/>		

FEDERAL AWARDS SECTION

***Morgan, Davis, & Company, P.C.***

Post Office Box 8158

Greenville, Texas 75404

**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***

**Independent Auditor's Report**

Princeton Independent School District  
321 Panther Parkway  
Princeton, Texas 75407

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 Princeton Independent School District, as of and for the year ended August 31, 2021 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 11, 2021.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**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.

*/s/ Morgan, Davis & Company, P.C.*

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Morgan, Davis, & Company, P.C.  
Greenville, Texas

December 11, 2021

***Morgan, Davis & Company, P.C.***  
Post Office Box 8158  
Greenville, Texas 75404

**Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and  
Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance**

**Independent Auditor's Report**

Princeton Independent School District  
321 Panther Parkway  
Princeton, Texas 75407

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

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

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

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

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

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

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

**Report on Internal Control Over Compliance**

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

an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Princeton Independent School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

*/s/ Morgan, Davis & Company, P.C.*

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Morgan, Davis & Company, P.C.  
Greenville, Texas

December 11, 2021

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

**Summary of Auditor's Results:**

The type of report we issued on whether the financial statements of Princeton Independent School District were prepared in accordance with GAAP as an unmodified opinion.

With respect to internal control over financial reporting, we identified no material weaknesses and we reported no significant deficiencies.

We noted no noncompliance material to the financial statements,

With respect to internal control over major federal programs, we identified no material weaknesses and we reported no significant deficiencies.

The type of report we issued on compliance for major programs was an unmodified opinion.

We disclosed no audit findings which the auditor is required to report in accordance with 2 CFR 200.516(a).

We identified the following major programs:

ESSA, Title I, Part A, Improving Basic Programs, Assistance Listing # 84.010A

Special Education Cluster

IDEA, Part B, Formula, Assistance Listing # 84.027

IDEA, Part B, Preschool, Assistance Listing # 84.173

The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.

The auditee does qualify as a low-risk auditee.

**Financial Statements Findings:**

There are no findings related to financial statements which are required to be reported in accordance with *Generally Accepted Auditing Standards*.

**Federal Award Findings and Questioned Costs:**

There are no findings or questioned costs related to federal awards which are required to be reported by 2 CFR 200.516(a).

PRINCETON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2021

(Prepared by the District's Administration)

There were no prior audit findings which required corrective action.

PRINCETON INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2021

(Prepared by the District's Administration)

There were no corrective actions necessary for the year ended August 31, 2021.

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874	84.041	S041A-2020-5085	\$ 72,232
Impact Aid - P.L. 81.874	84.041	S041A-2021-5085	251,269
Total Assistance Listing Number 84.041			323,501
Total Direct Programs			323,501
<u>Passed Through State Department of Education</u>			
ESSA, Title I, Part A - Improving Basic Programs	84.010A	20610101043911	6,610
ESSA, Title I, Part A - Improving Basic Programs	84.010A	21610101043911	493,783
Total Assistance Listing Number 84.010A			500,393
*IDEA - Part B, Formula	84.027	20660001043911	54,399
*IDEA - Part B, Formula	84.027	21660001043911	735,619
Total Assistance Listing Number 84.027			790,018
Total Special Education Cluster (IDEA)			799,981
Career and Technical - Basic Grant	84.048	21420006043911	28,872
*IDEA - Part B, Preschool	84.173	21661001043911	9,963
Title III, Part A - English Language Acquisition	84.365A	20671001043911	6,627
Title III, Part A - English Language Acquisition	84.365A	21671001043911	43,252
Total Assistance Listing Number 84.365A			49,879
ESSA, Title II, Part A, Teacher Principal Training	84.367A	21694501057950	58,630
CRRSA-ESSER II Grant-PPRP	84.425D	S425D210042	58,691
ARP-ESSER III Grant	84.425U	21528001043911	30,642
Total Assistance Listing Number 84.425			89,333
Total Passed Through State Department of Education			1,527,088
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>1,850,589</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	202121N109946	636,047
*National School Lunch Program - Cash Assistance	10.555	202120N119946	1,983,607
*National School Lunch Prog. - Non-Cash Assistance	10.555	21-043911	195,670
Total Assistance Listing Number 10.555			2,179,277
Total Child Nutrition Cluster			2,815,324
USDA Emergency Operations Cost Reimbursement	10.559	21-043911	43,421
Total Passed Through the State Department of Agriculture			2,858,745
<u>Passed Through State Department of Education</u>			
Watershed Protection & Flood Control	10.904	N/A	17,959
Total Passed Through State Department of Education			17,959
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>2,876,704</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 4,727,293</b>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

PRINCETON INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2021

1. For all federal programs, the District uses the fund types specified in Texas Education Agency’s *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance is generally accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund or, in some instances, in the General Fund which are Governmental Fund type funds. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.
3. The District has elected to not use the 10% de-minimis indirect cost rate as allowed under the Uniform Guidance.
4. The period performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, Part 3, Uniform Guidance Compliance Statement.
5. Assistance Listing numbers for commodity assistance are the Assistance Listing numbers of the programs under which USDA donated the commodities.
6. Reconciliation Information:

Amount reported on the Schedule of Expenditures of Federal awards	\$ 4,727,293
SHARS Revenue reported in the General Fund	35,298
E-rate revenue reported in the General Fund	158,976
Revenue received for Coronavirus Relief Fund for FY20 expenditures	17,810
Federal Program Revenue Reported on Exhibit C-3	\$ 4,939,377

SCHOOLS FIRST QUESTIONNAIRE

Princeton Independent School District

Fiscal Year 2021

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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?	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? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	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 in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	\$1,102,345