
**MANOR INDEPENDENT
SCHOOL DISTRICT**

**ANNUAL FINANCIAL
AND COMPLIANCE REPORT**

For the Year Ended June 30, 2021



CPAs and Professional Consultants

**MANOR INDEPENDENT
SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND
COMPLIANCE REPORT**

Year Ended June 30, 2021



MANOR INDEPENDENT SCHOOL DISTRICT
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CERTIFICATE OF BOARD

Manor Independent School District

Name of School District

Travis

County

227-907

Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the year ended June 30, 2021, at a meeting of the board of trustees of such school district on November 15, 2021.



President of the Board

Secretary of the Board



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

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 Manor Independent School District (the District) as of and for the year ended June 30, 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

Manor Independent School District's 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 the District, as of June 30, 2021, and the respective changes in financial position 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, the budgetary comparison schedule, required pension information, and required other post-employment benefit information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the District's internal control over financial reporting and compliance.



Houston, Texas
November 15, 2021

MANOR INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Manor Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021.

Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by **\$18,413,875** (*net position*). Of this amount, **(\$31,309,351)** represents (*unrestricted net position-deficit*). This deficit in unrestricted net position is due to the District's noncurrent liabilities of **\$28,362,529** for the District's portion of the Teacher's Retirement System (TRS) net pension liability and **\$28,463,653** for the District's portion of the TRS net other post-employment benefits liability.
- The District's total net position **decreased** by **\$442,764**.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of **\$242,394,324**, a **decrease** of **\$19,732,631** in comparison with the prior year. The debt service fund balance **decreased** by **\$1,172,417** and the capital projects fund balance **decreased** by **\$24,480,512**.
- During the current fiscal year, unassigned fund balance for the general fund **increased** by \$8,558,952, to **\$37,418,832**, unassigned fund balance at year-end is **42** percent of general fund expenditures. Total fund balance for the general fund as of year-end was \$37,418,832, an increase of \$5,925,466 over prior year.
- The District's total bonded debt **decreased** by **\$14,065,000** (**3** percent) during the current fiscal year as the result of principal payments during the fiscal year.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

The *government-wide financial statements* of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include Instruction, Instructional Resources and Media Services, Curriculum and Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Administration, Facilities Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Bond Issuance Costs and Fees, Other Facility Costs, and Other Intergovernmental Charges.

MANOR INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Fund financial statements

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

Governmental funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains individual governmental funds for general, special revenue, debt service, and capital project funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund and the debt service fund, all of which are considered to be major funds. Data from the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the financial statements. The District adopts an annual appropriated budget for its general fund, debt service fund, and National School Breakfast and Lunch Program special revenue fund.

Fiduciary funds

The fiduciary funds are used to account for resources held for the benefit of students and employees. The District's *agency fund* is used to account for resources held in a custodial capacity by the District and consists of funds that are the property of students or others. The fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

Notes to financial statements

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

Required supplementary information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds. The District did not have any major special revenue funds, therefore only the general fund is presented as required supplementary information. The Required Supplementary Information also includes information related to the required pension system information and the required other post-employment benefit system information.

MANOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Other information

The combining and individual fund statements and schedules and other supplementary information are presented immediately following the required supplementary information.

Government-wide Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$18,413,875 at the close of the most recent fiscal year.

A portion of the District's net position, \$25,691,948 reflects its investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, construction in progress), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Statements of Net Position
June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
Assets		
Current and other assets	\$ 262,985,229	\$ 271,969,018
Capital assets	349,276,584	342,893,089
Total Assets	612,261,813	614,862,107
Deferred Outflows of Resources		
Deferred outflows	23,416,105	29,132,946
Total Deferred Outflows of Resources	23,416,105	29,132,946
Liabilities		
Current liabilities	24,896,319	12,117,848
Long-term liabilities	561,838,124	590,821,863
Total Liabilities	586,734,443	602,939,711
Deferred Inflows of Resources		
Deferred inflows	30,529,600	22,198,703
Total Deferred Inflows of Resources	30,529,600	22,198,703
Net Position		
Net investment in capital assets	25,691,948	27,778,809
Restricted	24,031,278	27,402,635
Unrestricted	(31,309,351)	(36,324,805)
Total Net Position	\$ 18,413,875	\$ 18,856,639

MANOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Net position in the governmental activities are restricted for various purposes as follows:

	Governmental Activities	
	2021	2020
Federal and State Grant Programs	\$ 1,469,893	\$ 1,466,256
Debt Service	22,561,385	25,936,379
	<u>\$ 24,031,278</u>	<u>\$ 27,402,635</u>

At the end of the current fiscal year, the District reports positive balances in the total net position, which decreased by \$442,764 during the current fiscal year. Unrestricted net position for governmental activities, 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, amounted to a deficit of \$31.31 million at June 30, 2021, an increase in the deficit of **\$5.02** million from the prior year.

Comparative Schedule of Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
Revenues		
Program revenues:		
Charges for services	\$ 2,144,266	\$ 3,307,956
Operating grants	13,807,679	21,429,307
General revenues:		
Property taxes	89,927,795	82,863,293
State Aid - Formula Grants	27,988,128	29,707,488
Interest earnings	613,972	1,926,290
Other	228,235	378,101
Total Revenues	<u>134,710,075</u>	<u>139,612,435</u>
Expenses		
Instruction	60,835,636	62,842,183
Instructional resources and media services	978,072	1,118,637
Curriculum and staff development	1,746,491	2,498,546
Instructional leadership	4,281,433	5,284,717
School leadership	7,011,250	8,131,606
Guidance, counseling, and evaluation services	3,119,909	3,459,211
Social work services	1,804,954	1,915,092
Health services	1,393,699	1,543,890
Student transportation	4,031,505	6,371,459
Food service	3,760,967	5,888,532
Extracurricular activities	2,420,014	3,567,443
General administration	3,690,818	3,684,975
Facilities, maintenance and operations	11,231,360	11,479,895
Security and monitoring services	1,786,362	1,759,270
Data processing services	6,681,578	2,588,460
Community services	901,984	1,227,881
Interest on long-term debt	19,098,366	12,065,156
Bond issuance cost and fees	16,040	2,911,227
Other facility costs	-	1,961,456
Payments to Juvenile Justice Alternative Education Programs	-	18,377
Other governmental charges	362,401	409,279
Total Expenses	<u>135,152,839</u>	<u>140,727,292</u>
Decrease in net position	(442,764)	(1,114,857)
Net Position - Beginning	<u>18,856,639</u>	<u>19,971,496</u>
Net Position - Ending	<u>\$ 18,413,875</u>	<u>\$ 18,856,639</u>

MANOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental activities

Governmental activities decreased the District's net position by \$442,764. Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent 98 percent of total revenues. The remaining 2 percent is generated from charges for services, investment earnings, and miscellaneous revenues.

	Total Revenues	% of Total Revenues
Property taxes	\$ 89,927,795	67%
State Aid - formula grants	27,988,128	21%
Operating grants and contributions	13,807,679	10%
Other revenue	2,986,473	2%
Total Revenues	\$ 134,710,075	100%

The primary functional expense of the District is instruction, which represents 45 percent of total expenses. Plant maintenance and operations, interest on long-term debt, and school leadership represent 8 percent, 14 percent, and 5 percent, respectively, of the total expenses. The remaining individual functional categories of expenses are each less than 5 percent of total expenses.

	Total Expenses	% of Total Expenses
Instruction	\$ 60,835,636	45%
Interest on long-term debt	19,098,366	14%
School leadership	7,011,250	5%
Facilities maintenance and operations	11,231,360	8%
Other expenses	36,976,227	27%
Total Expenses	\$ 135,152,839	100%

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of **\$242,394,324**, a **decrease** of **\$19,732,631** in comparison with the prior year. The **decrease** in ending governmental fund balances is primarily due to a **\$24.48** million **decrease** in Capital Projects fund balance.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance of the general fund was **\$37,418,832**, which is unassigned. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents **42** percent of total general fund expenditures. The fund balance of the District's general fund **increased** by **\$5,925,466** during the current fiscal year.

The debt service fund has a total fund balance of \$29,128,256, all of which is restricted for the payment of debt service. The net decrease in the debt service fund balance during the current year of \$1,172,417 was attributable to the cash defeasance of certain bonds and scheduled principal payments.

MANOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The capital projects fund has a total fund balance of \$174,152,716, all of which is restricted for capital acquisitions as authorized by the issued bonds. The net decrease in the capital projects fund balance during the current year of \$24,480,512 was attributable to acquisition of capital assets in the current year.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget of the general fund can be briefly summarized as follows:

	Budget	
	Original	Final Amended
Total revenues	\$ 92,240,000	\$ 92,240,000
Total expenditures	92,240,000	93,673,486
Net change in fund balance	\$ -	\$ (1,433,486)

Budget amendments were adopted by the Board of Trustees throughout the year due to varying revenue estimates and a reallocation of district expenditures. Each budget amendment was a projection of the district's categorization of funds and authorized allocation.

Capital Assets and Long-term Liabilities

Capital assets

The District's investment in capital assets for its governmental type activities as of **June 30, 2021**, includes land, buildings and improvements, furniture and equipment, and construction in progress. The following table summarizes the investment in capital assets (net of accumulated depreciation) as of June 30, 2021 and 2020.

	June 30, 2021	June 30, 2020
Land	\$ 24,454,547	\$ 17,912,974
Buildings and improvements	405,145,298	378,664,997
Furniture and equipment	27,453,535	26,117,847
Leased assets under capital leases	1,207,625	1,207,625
Construction in progress	14,668,445	29,570,051
Total	472,929,450	453,473,494
Less accumulated depreciation for:		
Buildings and improvements	(101,999,216)	(91,005,088)
Furniture and equipment	(21,308,614)	(19,402,799)
Leased assets under capital leases	(345,036)	(172,518)
Total Accumulated Depreciation	(123,652,866)	(110,580,405)
Net Capital Assets	\$ 349,276,584	\$ 342,893,089

Additional information on the District's capital assets can be found in the notes to the financial statements.

MANOR INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Long-term liabilities

At the end of the current fiscal year, the District had \$458,289,999 in bonded debt outstanding, a decrease of \$14,065,000 over the previous year. The District's bonds were sold with an "AAA" rating and are guaranteed through the Texas Permanent School Fund Guarantee Program or by a municipal bond insurance policy. The underlying rating of the bonds from Standard and Poor's is "AA-" and from Moody's Investors Service is "A1" for general obligation debt.

Changes in bonds payable for the year ended June 30, 2021 are as follows:

Outstanding 07/01/20	Issued	Retired	Outstanding 06/30/21
<u>\$ 472,354,999</u>	<u>\$ -</u>	<u>\$ (14,065,000)</u>	<u>\$ 458,289,999</u>

Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Multiple factors were integrated into the process of budget development by the District's Administration for the 2021-2022 fiscal year. Those factors include the following:

- Increase in the property tax assessed values for properties within the District's boundaries
- Increased District student enrollment based on available demographic data
- Availability of ESSER II funds
- Implementation of an improved District-wide compensation plan
- Cost of additional academic and curriculum-based programs
- Increased operational costs
- Fiscal year 2020-2021 fund balance carry forward

The District's 2021-2022 (FY22) budget for the year ending on June 30, 2022 was based on a tax rate of \$1.3720 per \$100 dollars of assessed value of which \$0.8920 is for M&O and \$0.48 is for I&S. These rates were approved by the Manor ISD Board of Trustees at a Regular Meeting held on September 27, 2021. For comparative purposes, the previous fiscal year was based on a total tax rate of \$1.442672 composed of \$0.9427 for M&O and \$0.499972 for I&S. The M&O portion of the tax rate decreased year to year as a result of binding tax rate compression under HB3, however, as noted above, we expect the rise in property tax assessed values to provide more revenue to the District for FY22.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office at Manor Independent School District, 10335 US Hwy 290E Manor, Texas.



BASIC FINANCIAL STATEMENTS

MANOR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2021

Exhibit A-1

Data Control Codes		Governmental Activities
	Assets	
1110	Cash and cash equivalents	\$ 245,360,912
1225	Property taxes receivables, net	3,321,856
1240	Due from other governments	13,916,921
1290	Other receivables, net	105,473
1300	Inventories	280,067
	Capital assets not subject to depreciation:	
1510	Land	24,454,547
1580	Construction in progress	14,668,445
	Capital assets net of depreciation:	
1520	Buildings and improvements, net	303,146,082
1530	Furniture and equipment, net	6,144,921
1550	Capital lease assets, net	862,589
1000	Total Assets	612,261,813
	Deferred Outflows of Resources	
	Deferred outflows of resources - loss on refunding	6,503,573
	Deferred outflows of resources - pension activities	11,196,551
	Deferred outflows of resources - OPEB activities	5,715,981
1700	Total Deferred Outflows of Resources	23,416,105
	Liabilities	
2110	Accounts payable	1,054,699
2140	Interest payable	7,627,271
2150	Payroll deductions and withholdings	37,963
2160	Accrued wages payable	4,675,339
2177	Due to fiduciary funds	56,797
2300	Unearned revenue	11,444,250
	Noncurrent Liabilities:	
2501	Due within one year	6,687,905
2502	Due in more than one year	498,324,037
2540	Net pension liability	28,362,529
2545	Net Other Post Employment Benefits (OPEB) liability	28,463,653
2000	Total Liabilities	586,734,443
	Deferred Inflows of Resources	
	Deferred inflows of resources - pension activities	7,166,819
	Deferred inflows of resources - OPEB activities	23,362,781
2600	Total Deferred Inflows of Resources	30,529,600
	Net Position	
3200	Net investment in capital assets	25,691,948
	Restricted for:	
3820	Federal and state programs	1,469,893
3850	Debt service	22,561,385
3900	Unrestricted	(31,309,351)
3000	Total Net Position	\$ 18,413,875

MANOR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Exhibit B-1

					Net (Expense) Revenue and Changes in Net Position Primary Government
Data Control Codes	Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 60,835,636	\$ 166,389	\$ 5,121,340	\$ (55,547,907)
12	Instructional resources and media services	978,072	6,400	-	(971,672)
13	Curriculum and staff development	1,746,491	31,998	515,393	(1,199,100)
21	Instructional leadership	4,281,433	-	651,635	(3,629,798)
23	School leadership	7,011,250	19,199	7,682	(6,984,369)
31	Guidance, counseling, and evaluation services				
		3,119,909	-	139,283	(2,980,626)
32	Social work services	1,804,954	-	990,372	(814,582)
33	Health services	1,393,699	-	1,184,851	(208,848)
34	Student transportation	4,031,505	-	-	(4,031,505)
35	Food service	3,760,967	137,893	3,465,849	(157,225)
36	Extracurricular activities	2,420,014	172,590	-	(2,247,424)
41	General administration	3,690,818	-	101,740	(3,589,078)
51	Facilities, maintenance and operations	11,231,360	1,603,397	168,028	(9,459,935)
52	Security and monitoring services	1,786,362	-	78,319	(1,708,043)
53	Data processing services	6,681,578	-	771,960	(5,909,618)
61	Community services	901,984	6,400	332,608	(562,976)
72	Interest expense	19,098,366	-	278,619	(18,819,747)
73	Bond issuance cost and fees	16,040			(16,040)
99	Other governmental charges	362,401	-	-	(362,401)
TG	Total Governmental Activities	\$ 135,152,839	\$ 2,144,266	\$ 13,807,679	(119,200,894)

Data Control Codes		
	General revenues:	
	Taxes:	
MT	Property taxes, levied for general purposes	58,719,959
DT	Property taxes, levied for debt service	31,207,836
SF	State-aid formula grants	27,988,128
IE	Investment earnings	613,972
MI	Miscellaneous	228,235
TR	Total general revenues	118,758,130
CN	Change in net position	(442,764)
NB	Net position - Beginning	18,856,639
NE	Net position - Ending	\$ 18,413,875

MANOR INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
June 30, 2021

Exhibit C-1
Page 1 of 2

Data Control Codes		General Fund	Debt Service Funds	Capital Projects Fund
Assets				
1110	Cash and cash equivalents	\$ 41,776,871	\$ 31,631,254	\$ 171,951,497
	Receivables:			
1220	Delinquent property taxes	5,133,422	1,916,413	-
1230	Allowance for uncollectible taxes (credit)	(2,871,965)	(856,014)	-
1240	Receivables from other governments	8,784,592	15,085	-
1260	Due from other funds	4,109,836	343,190	2,354,026
1290	Other receivables	105,238	-	-
1300	Inventories, at cost	-	-	-
1000	Total Assets	\$ 57,037,994	\$ 33,049,928	\$ 174,305,523
Liabilities, Deferred Inflows, and Fund Balance				
Liabilities:				
2110	Accounts payable	\$ 762,660	\$ -	\$ 152,807
2150	Payroll deduction and withholdings payable	1,012	-	-
2160	Accrued wages payable	4,477,492	-	-
2170	Due to other funds	895,967	2,861,272	-
2190	Due to student groups	56,797	-	-
2300	Unearned revenue	11,163,777	-	-
2000	Total Liabilities	17,357,705	2,861,272	152,807
Deferred Inflows of Resources				
	Deferred inflows of resources	2,261,457	1,060,400	-
2600	Total Deferred Inflows of Resources	2,261,457	1,060,400	-
Fund Balances:				
Restricted:				
3450	Federal/State grant restrictions	-	-	-
3470	Capital acquisitions	-	-	174,152,716
3480	Debt service	-	29,128,256	-
3490	Local grants	-	-	-
Committed:				
3545	Other purposes	-	-	-
3600	Unassigned	37,418,832	-	-
3000	Total fund balances	37,418,832	29,128,256	174,152,716
4000	Total Liabilities, Deferred Inflows, and Fund Balances	\$ 57,037,994	\$ 33,049,928	\$ 174,305,523

MANOR INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
June 30, 2021

Exhibit C-1
Page 2 of 2

Data Control Codes		Nonmajor Governmental Funds	Total Governmental Funds
	Assets		
1110	Cash and cash equivalents	\$ 1,290	\$ 245,360,912
	Receivables:		
1220	Delinquent property taxes receivables	-	7,049,835
1230	Allowance for uncollectible taxes (credit)	-	(3,727,979)
1240	Receivables from other governments	5,117,244	13,916,921
1260	Due from other funds	3,867,200	10,674,252
1290	Other receivables	235	105,473
1300	Inventories, at cost	280,067	280,067
1000	Total Assets	\$ 9,266,036	\$ 273,659,481
	Liabilities, Deferred Inflows, and Fund Balance		
	Liabilities:		
2110	Accounts payable	\$ 139,232	\$ 1,054,699
2150	Payroll deduction and withholdings payable	36,951	37,963
2160	Accrued wages payable	197,847	4,675,339
2170	Due to other funds	6,917,013	10,674,252
2190	Due to student groups	-	56,797
2300	Unearned revenue	280,473	11,444,250
2000	Total Liabilities	7,571,516	27,943,300
	Deferred Inflows of Resources		
	Deferred inflows of resources	-	3,321,857
2600	Total Deferred Inflows of Resources	-	3,321,857
	Fund Balances:		
	Restricted:		
3450	Federal/State grant restrictions	1,311,588	1,311,588
3470	Capital acquisitions	-	174,152,716
3480	Debt service	-	29,128,256
3490	Local grants	158,305	158,305
	Committed:		
3545	Other purposes	224,627	224,627
3600	Unassigned	-	37,418,832
3000	Total fund balances	1,694,520	242,394,324
4000	Total Liabilities, Deferred Inflows, and Fund Balances	\$ 9,266,036	\$ 273,659,481



MANOR INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
STATEMENT OF NET POSITION
June 30, 2021

Exhibit C-2

Data Control Codes		
	Total Fund Balance, Governmental Funds	\$ 242,394,324
	Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
1	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation, where applicable.	349,276,584
2	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	3,321,857
3	Deferred charge on refunding	6,503,573
4	Deferred inflows and outflows related to pension activities	4,029,732
5	Deferred inflows and outflows related to OPEB activities	(17,646,800)
	Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
6	General obligation bonds	(458,289,999)
7	Premiums on issuance	(45,245,235)
8	Capital leases payable	(705,691)
9	Accreted interest on capital appreciation bonds	(771,017)
10	Accrued interest payable	(7,627,271)
11	Net pension liability	(28,362,529)
12	Net OPEB liability	(28,463,653)
19	Net Position - Governmental Activities	\$ 18,413,875

MANOR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

Exhibit C-3
Page 1 of 2

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Funds
Revenues				
5700	Local, intermediate, and out-of-state	\$ 60,484,471	\$ 31,128,424	\$ 516,053
5800	State program revenues	32,477,966	278,619	-
5900	Federal program revenues	1,659,254	-	-
5020	Total Revenues	94,621,691	31,407,043	516,053
Expenditures				
Current:				
0011	Instruction	48,639,283	-	2,249,614
0012	Instructional resources and media services	880,326	-	-
0013	Curriculum and staff development	1,123,547	-	-
0021	Instructional leadership	3,372,085	-	-
0023	School leadership	6,367,355	-	-
0031	Guidance, counseling and evaluation services	2,724,237	-	-
0032	Social work services	779,341	-	-
0033	Health services	1,263,838	-	-
0034	Student transportation	3,987,091	-	1,214,354
0035	Food services	245,433	-	-
0036	Extracurricular activities	2,066,160	-	-
0041	General administration	3,159,364	-	160,451
0051	Facilities maintenance and operations	9,772,322	-	3,426
0052	Security and monitoring services	1,314,603	-	261,398
0053	Data processing services	2,105,806	-	3,913,472
0061	Community services	533,033	-	-
Debt service:				
0071	Principal on long-term debt	-	14,065,000	154,525
0072	Interest on long-term debt	-	18,498,420	46,077
0073	Bond issuance costs and fees	-	16,040	-
Capital outlay:				
0081	Facilities acquisition and construction	-	-	16,993,248
Intergovernmental:				
0099	Other governmental charges	362,401	-	-
6030	Total Expenditures	88,696,225	32,579,460	24,996,565
1200	Net change in fund balances	5,925,466	(1,172,417)	(24,480,512)
0100	Fund Balance - Beginning	31,493,366	30,300,673	198,633,228
3000	Fund Balance - Ending	\$ 37,418,832	\$ 29,128,256	\$ 174,152,716

MANOR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

Exhibit C-3
Page 2 of 2

Data Control Codes		Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
5700	Local, intermediate, and out-of-state	\$ 580,503	\$ 92,709,451
5800	State program revenues	1,296,588	34,053,173
5900	Federal program revenues	10,533,703	12,192,957
5020	Total Revenues	12,410,794	138,955,581
Expenditures			
Current:			
0011	Instruction	5,280,563	56,169,460
0012	Instructional resources and media services	6,515	886,841
0013	Curriculum and staff development	548,279	1,671,826
0021	Instructional leadership	685,330	4,057,415
0023	School leadership	27,182	6,394,537
0031	Guidance, counseling and evaluation services	139,283	2,863,520
0032	Social work services	950,857	1,730,198
0033	Health services	-	1,263,838
0034	Student transportation	-	5,201,445
0035	Food services	3,600,105	3,845,538
0036	Extracurricular activities	134,472	2,200,632
0041	General administration	50,000	3,369,815
0051	Facilities maintenance and operations	168,028	9,943,776
0052	Security and monitoring services	78,319	1,654,320
0053	Data processing services	408,000	6,427,278
0061	Community services	339,029	872,062
Debt service:			
0071	Principal on long-term debt	-	14,219,525
0072	Interest on long-term debt	-	18,544,497
0073	Bond issuance costs and fees	-	16,040
Capital outlay:			
0081	Facilities acquisition and construction	-	16,993,248
Intergovernmental:			
0099	Other governmental charges	-	362,401
6030	Total Expenditures	12,415,962	158,688,212
1200	Net change in fund balances	(5,168)	(19,732,631)
0100	Fund Balance - Beginning	1,699,688	262,126,955
3000	Fund Balance - Ending	\$ 1,694,520	\$ 242,394,324

MANOR INDEPENDENT SCHOOL DISTRICT**Exhibit C-4**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE FOR GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021**

Data Control Codes		
	Net Change in Fund Balances - Total Governmental Funds (from C-3)	\$ (19,732,631)
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
1	Capitalized expenditures reclassified to assets.	19,455,956
2	Depreciation expense taken to Statement of Activities.	(13,072,461)
3	Repayment of bond principal and capital lease principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	14,219,525
4	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	291,211
	Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
5	Changes in net pension liabilities and related deferred outflows and inflows of resources	(2,018,569)
6	Changes in net OPEB liabilities and related deferred outflows and inflows of resources	968,074
7	Increase in interest payable not recognized in fund statements	(2,320,840)
8	Accumulated accretion	(23,660)
9	Amortization of premium on issuance	2,279,867
10	Amortization of deferred charge on refunding	(489,236)
	Change in Net Position of Governmental Activities (see B-1)	\$ (442,764)

MANOR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2021

Exhibit E-1

	Custodial Funds
Assets	
Cash and cash equivalents	\$ -
Due from others	56,797
Total Assets	<u>56,797</u>
Liabilities	
Accounts payable	3,694
Other liabilities	290
Total Liabilities	<u>3,984</u>
Net Position	
Restricted for student scholarships and other activities	52,813
Total Net Position	<u>\$ 52,813</u>

MANOR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2021

Exhibit E-2

	Custodial Funds
Additions	
Local and intermediate sources	\$ 34,716
Total Additions	<u>34,716</u>
Deductions	
Operating expenses	<u>37,019</u>
Total Deductions	<u>37,019</u>
Change in net position	(2,303)
Net Position, Beginning of Year, restated for GASB 84	<u>55,116</u>
Net Position, End of Year	<u><u>\$ 52,813</u></u>

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Manor Independent School District (the District) is governed by a seven-member Board of Trustees (the Board), which has governance responsibilities over all activities related to public elementary and secondary education within the District. Because members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity. There are no component units, entities for which the District is considered to be financially accountable, included within the reporting entity.

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, while the agency funds have no measurement of focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The fiduciary fund financial statement reflects the District's custodial funds. The fiduciary fund is accounted using an 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.

Note 1 - Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *capital projects funds* accounts for the proceeds from long-term debt financing and revenues and expenditures related to authorized acquisition, construction, or renovations as well as furnishing and equipping capital facilities.
- The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The District reports the following nonmajor governmental funds:

- The *special revenue funds* account for resources restricted to or committed for specific purposes by a grantor, or for resources that are committed for specific purposes by the Board. 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.

Additionally, the District reports the following fiduciary fund:

- The *custodial fund* is used to account for assets held by the District as an agent for student organizations. The fund is custodial in nature.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to students or users for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and investment income.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, investment pools, and short-term investments with original maturities of one year or less from the date of acquisition.

Investments with an original maturity greater than one year from date of purchase are stated at fair value based on quoted market prices as of year-end, except for nonparticipating interest-earning investment contracts which are reported at cost. Investments with an original maturity of less than one year are reported at amortized cost.

The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: 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.

Note 1 - Summary of Significant Accounting Policies (continued)

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property tax receivables include unpaid property taxes at year-end and are shown net of an allowance for uncollectibles. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements. Property values are determined by the Travis County Appraisal District as of January 1 of each year. Prior to September 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy.

Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, and furniture and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost that equals or exceeds \$5,000 and an estimated useful life in excess of one year. 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 and improvements, and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building improvements	10 to 40 years
Furniture and equipment	4 to 10 years

Compensated Absences

Compensated absences are absences for which employees will be paid. Exempt and nonexempt employees in positions normally requiring 12 months of service shall not receive paid nonduty days. The employee's work schedule shall be set in accordance with the District calendar and the number of days in the employee's duty year (scheduled workdays per the employee's assignment and contract, as applicable).

Note 1 - Summary of Significant Accounting Policies (continued)

Long-term Obligations

In the government-wide financial statements, long-term debt and long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Premiums and discounts are presented as a component of liabilities while deferred charges on refundings are presented as deferred outflows of resources. Both items are deferred and amortized over the life of the related debt using the straight-line method. Long-term debt is reported net of the applicable premium or discount. Bond issuance costs are expensed in the year incurred.

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

The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund.

Deferred Outflows/Inflows of Resources

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

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

- *Deferred charge on refunding* - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- *Deferred outflows relating to pension activities* – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results 1) changes in the District's proportional share of pension liabilities, 2) changes in actuarial assumptions; and 3) differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- *Deferred outflows of resources for post-employment benefits* – Reported in the government wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) changes in the District's proportional share of post-employment liabilities; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) differences between projected and actual earnings on post-employment plan investments. The deferred outflows of resources related to post-employment benefits resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net post-employment benefit liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on OPEB plan investments will be amortized over a closed five year period. The remaining deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with post-employment benefits through the post-employment benefit plan.

Note 1 - Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources (continued)

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

- *Deferred inflows of resources for unavailable revenues* – Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow or resources in the period that the amounts become available.
- *Deferred inflows relating to pension activities* – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) changes in the District's proportional share of pension liabilities; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) differences between projected and actual earnings on pension plan investments. The deferred inflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The remaining pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- *Deferred inflows of resources for post-employment benefits* – Reported in the government wide financial statement of net position, these deferred inflows result primarily 1) changes in actuarial assumptions and 3) differences between expected and actual actuarial experiences. These post-employment related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with post-employment benefits through the post-employment benefit plan.

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

Note 1 - Summary of Significant Accounting Policies (continued)

Net Position

Net Position on the Statement of Net Position includes the following:

- Net investment in capital assets - this component of net position consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt will be included in this component of net position.
- Restricted for federal and state programs - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, which are restricted by federal and state granting agencies.
- Restricted for Debt Service - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The assets arise from bond issuances which have constraints placed on them by the bond covenants for the purpose of future debt service payments.
- Unrestricted net position - this component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Fund Balance

The fund balance in governmental funds has been classified as follows to describe the nature and relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in spendable form or are required to be maintained intact. There is no amount of fund balance that is considered nonspendable at the end of the year.
- Restricted fund balance – Amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. The District has committed 100 percent of fund 461 Campus Activity Funds' fund balance.
- Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority. The Board of Trustees has retained this authority. There is no amount of fund balance committed at the end of the year.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

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

Note 1 - Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

In the fund financial statements, certain governmental funds report restrictions of the entire fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Since the entire fund balance is restricted for these funds, all assets are in essence restricted for their specified purpose.

When the District incurs an expense for which it may use either restricted or unrestricted resources, it uses the restricted resources first unless unrestricted resources will have to be returned because they were not used.

Data Control Codes

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

In accordance with the Resource Guide, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the Texas State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Resource Guide. Mandatory codes are recorded in the order provided in the Resource Guide.

Implementation of New Accounting Standards

GASB Statement No. 84, *Fiduciary Activities*, was issued in January 2017 and effective for periods beginning December 15, 2019. This standard establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. This standard must be applied retroactively and as such beginning net position has been restated. The District has evaluated the effects of this standard and has determined that the District's Student Activity Funds met the criteria to be reported as custodial funds in the basic financial statements.

GASB Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61* was issued in August 2018 and effective for periods beginning December 15, 2019. The primary objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. An equity interest is a financial interest in a legally separate organization evidenced by the ownership of shares of the organization's stock or by otherwise having an explicit, measurable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. The District has determined that this Statement does not have an effect on the financial statements as of June 30, 2021.

GASB Statement No. 98, *The Annual Comprehensive Financial Report* was issued in October 2021 and establishes the term annual comprehensive financial report and its acronym ACFR. This new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This statement is effective for fiscal years ending after December 15, 2021 but earlier application is encouraged. Management has evaluated the implementation of this statement and determined that it is not applicable to the District.

Note 2 - Deposits and Investments

Use of Estimates

The presentation 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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Cash Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository bank's agent bank. The pledged securities are approved by the Texas Education Agency and shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At June 30, 2021, the District's cash in bank totaled \$3,112,248 while the carrying value was \$524,593. Pledged collateral and FDIC insurance for these deposits totaled \$9,320,731.

The District invests in certificates of deposit in the Certificates of Deposit Account Registry Service (CDARS). CDARS is a way to invest the District's funds in certificates of deposit in increments below the standard Federal Deposit Insurance Corporation (FDIC) insurance maximum of \$250,000 in order for the principal and interest are fully insured by FDIC insurance coverage.

The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. The District further limits its investments to obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, collateralized mortgage obligations, no-load money market mutual funds, certain municipal securities, qualified commercial paper, repurchase agreements, or investment pools.

Investments

For fiscal year 2021, the District invested in the State of Texas TexPool and MBIA Texas Class Investment Pool. TexPool and Texas Class operate in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940.

TexPool is duly chartered and overseen by the State Comptroller's Office and administered by Federated Investors, Inc. The State Street Bank is the custodial bank. The portfolio consists of U.S. T-Bills, T-Notes, collateralized repurchase and reverse repurchase agreements, and no-load money market mutual funds regulated by the Securities and Exchange Commission and rated AAA or equivalent by at least one nationally recognized rating service. Lone Star Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act, is administered by First Public, LLC, and managed by Standish Mellon and American Beacon Advisors. The Bank of New York is the custodial bank.

MBIA Texas Class Pool is duly chartered by the State of Texas Interlocal Cooperation Act, is administered and managed by MBIA Municipal Investors Service Corporation. Wells Fargo Bank N.A. is the custodial bank. The primary objectives of MBIA Texas Class Pool, is to maintain safety of principal while providing participating government entities (Participants) with the highest possible rate of return for invested funds.

In accordance with GASB Statement No. 79, Certain External Investment Pools and Pool Participants, the Local Government Investment Pool does not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

Note 2 - Deposits and Investments (continued)

At year-end, the District's cash and investment balances and the weighted average maturity of these investments were as follows:

	<u>Carrying Value</u>	<u>Weighted Average Maturity (Days)</u>
Governmental Activities		
Cash and deposits	\$ 524,593	N/A
Investments		
Local Government Investment Pools:		
Texas CLASS	244,767,189	81
TexPool	69,130	30
Total Local Government Investment Pools	<u>244,836,319</u>	81
Total Governmental Activities	<u>245,360,912</u>	
Fiduciary Funds		
Cash and Deposits	-	N/A
Total Fiduciary Funds	<u>-</u>	
Total	<u>\$ 245,360,912</u>	
Investment earnings	\$ 613,972	
Total Investment earnings	<u>\$ 613,972</u>	

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. To limit the risk that changes in interest rates will adversely affect the fair value of the investments, the District monitors interest rate risk utilizing weighted average maturity (WAM) analysis. The District requires its investment portfolio to have maturities of less than one year on a WAM basis. However, specific to the District's debt service funds, maturities longer than one year are authorized within legal limits and as long as sufficient investment liquidity to timely meet debt service payment obligations is maintained. The long-term investment the District currently holds, which has no call options, is due when the debt instrument is due and the District intends to hold the investment until maturity, thereby reducing its risk of loss due to changes in the fair value of the investment.

	<u>Carrying value</u>	<u>Investment Maturity in Years</u>	
		<u>Less than 1</u>	<u>1-5</u>
Local government investment pools:			
Texas CLASS	\$ 244,767,189	\$ 244,767,189	\$ -
TexPool	69,130	69,130	-
Total Local government investment pools	<u>\$ 244,836,319</u>	<u>\$ 244,836,319</u>	<u>\$ -</u>

Note 2 - Deposits and Investments (continued)

Credit Risk

State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations. As of June 30, 2021, the District's investments were rated as follows:

Investment	Rating	Rating Agency
TexPool	AAAm	Standard and Poor's
Texas CLASS	AAAm	Standard and Poor's

Concentration of Credit Risk

For temporary investments, to limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District's policy states that the portfolio must be diversified. Concentration of Credit Risk is not applicable to investment pools since the purpose of these pools is to diversify the District's investment portfolio. For long-term investments - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District's policy states that the portfolio must be diversified.

Investment Type	Carrying Value	Percentage of Portfolio
TexPool	\$ 69,130	0.03%
Texas CLASS	244,767,189	99.97%

Note 3 - Receivables and Unearned Revenues

Receivables as of year-end for the District's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Funds	Nonmajor Governmental Funds	Total
Property taxes	\$ 5,133,422	\$ 1,916,413	\$ -	\$ 7,049,835
Due from other governments	8,784,592	15,085	5,117,244	13,916,921
Other	105,238	-	235	105,473
Gross receivables	14,023,252	1,931,498	5,117,479	21,072,229
Less allowance for doubtful accounts	(2,871,965)	(856,014)	-	(3,727,979)
Net Total Receivables	\$ 11,151,287	\$ 1,075,484	\$ 5,117,479	\$ 17,344,250

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, District reported unearned revenues in the governmental funds in the amount of \$11,444,250, for grant funds received prior to meeting all eligibility requirements.

Note 4 - Interfund Receivables, Payables, and Transfers

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll, warehouse ordering and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

The composition of interfund balances as of June 30, 2021, is as follows:

Receivable Fund	Payable Fund			Total
	General Fund	Debt Service Fund	Nonmajor Governmental Fund	
Governmental Activities				
General Fund	\$ -	\$ 2,859,719	\$ 1,250,117	\$ 4,109,836
Debt Service Funds	343,190	-	-	343,190
Capital Projects Funds	552,777	1,553	1,799,696	2,354,026
Nonmajor Governmental Funds	-	-	3,867,200	3,867,200
Total Governmental Funds	\$ 895,967	\$ 2,861,272	\$ 6,917,013	\$ 10,674,252

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” There were no interfund transfers during the year ended June 30, 2021.

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance July 1, 2020	Additions	Transfers	Ending Balance June 30, 2021
Capital assets, not being depreciated:				
Land	\$ 17,912,974	\$ 6,541,573	\$ -	\$ 24,454,547
Construction in progress	29,570,051	11,578,695	(26,480,301)	14,668,445
Total Capital assets, not being depreciated	47,483,025	18,120,268	(26,480,301)	39,122,992
Capital assets, being depreciated:				
Buildings and improvements	378,664,997	-	26,480,301	405,145,298
Furniture and equipment	26,117,847	1,335,688	-	27,453,535
Lease equipment under capital leases	1,207,625	-	-	1,207,625
Total Capital assets, being depreciated	405,990,469	1,335,688	26,480,301	433,806,458
Less accumulated depreciation for:				
Buildings and improvements	(91,005,088)	(10,994,128)	-	(101,999,216)
Furniture and Equipment	(19,402,799)	(1,905,815)	-	(21,308,614)
Lease equipment under capital leases	(172,518)	(172,518)	-	(345,036)
Total Accumulated depreciation	(110,580,405)	(13,072,461)	-	(123,652,866)
Governmental Capital Assets	\$ 342,893,089	\$ 6,383,495	\$ -	\$ 349,276,584

Note 5 - Capital Assets (continued)

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

Function	Depreciation Expense
Instruction	\$ 6,680,231
Instructional resources and media services	120,014
Curriculum and staff development	153,173
Instructional leadership	459,715
School leadership	868,104
Guidance, counseling and evaluation services	371,440
Social work services	106,247
Health services	173,861
Student transportation	1,375,473
Food services	53,553
Extracurricular activities	286,991
General administration	452,839
Facilities maintenance and operations	1,418,147
Security and monitoring services	179,219
Data processing services	294,581
Community services	78,873
	<u>\$ 13,072,461</u>

Construction budgets and remaining commitments under related construction contracts as of June 30, 2021, follows:

Project	Approved Construction Budget	Construction in Progress	Remaining Commitment
F&C System Upgrades	\$ 18,887,072	\$ 297,852	\$ 18,589,220
Playground Equipment	2,867,417	1,176,996	1,690,421
Police Department Startup	1,360,021	691,621	668,400
New Transportation Center	18,000,000	436,165	17,563,835
Manor Early College HS	16,000,000	417,723	15,582,277
Technology	5,416,913	430,575	4,986,338
Athletics - MNTHS Concession Stand	3,032,047	2,785,153	246,894
Kitchen Food Service Upgrades	4,852,168	747,503	4,104,665
Furniture Refresh - Districtwide	7,941,003	7,684,857	256,146
	<u>\$ 78,356,641</u>	<u>\$ 14,668,445</u>	<u>\$ 63,688,196</u>

Note 6 - Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness and capital leases. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Due Within One Year
General Obligation Bonds	\$ 472,354,999	\$ -	\$ (14,065,000)	\$ 458,289,999	\$ 6,525,000
Issuance Premium on Bonds	47,525,102	-	(2,279,867)	45,245,235	-
Accreted interest on capital appreciation bonds	747,357	23,660	-	771,017	-
Capital leases	860,216	-	(154,525)	705,691	162,905
Total Governmental Long-term Liabilities	\$ 521,487,674	\$ 23,660	\$ (16,499,392)	\$ 505,011,942	\$ 6,687,905

The liability for capital leases is fully liquidated by the capital projects fund.

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These are issued as current interest bonds and term bonds with various amounts of principal maturing each year.

General obligation bonds currently outstanding are as follows:

Issue	Original Issuance amount	Interest Rate (%)	Fiscal Year Maturity	Debt Outstanding
Unlimited Tax Refunding Bonds, Series 2012	\$ 8,779,999	2-3.5%	2030	\$ 8,039,999
Unlimited Tax Refunding Bonds, Series 2013	48,240,000	1.5-5%	2037	27,270,000
Unlimited Tax Refunding Bonds, Series 2014	43,585,000	2-5%	2035	37,510,000
Unlimited Tax School Building Bonds, Series 2014	116,095,000	2-5%	2045	96,030,000
Unlimited Tax Refunding Bonds, Series 2015	25,995,000	4-5%	2039	25,995,000
Unlimited Tax Refunding Bonds, Series 2016	18,315,000	2-5%	2034	16,535,000
Unlimited Tax School Building Bonds, Series 2017	29,955,000	2-5%	2047	24,860,000
Unlimited Tax School Building Bonds, Series 2017A	51,190,000	3-5%	2048	40,335,000
Unlimited Tax School Building Bonds, Series 2020	181,715,000	3-5%	2051	181,715,000
				<u>\$ 458,289,999</u>

Note 6 - Long-term Liabilities (continued)

Debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Totals
2022	\$ 6,525,000	\$ 18,658,363	\$ 25,183,363
2023	11,035,000	18,238,644	29,273,644
2024	11,570,000	17,688,739	29,258,739
2025	12,135,000	17,114,039	29,249,039
2026	12,720,000	16,504,489	29,224,489
2027-2031	68,414,999	74,382,082	142,797,081
2032-2036	90,780,000	55,876,857	146,656,857
2037-2041	93,330,000	35,732,419	129,062,419
2042-2046	87,235,000	17,943,300	105,178,300
2047-2051	64,545,000	4,549,275	69,094,275
	<u>\$ 458,289,999</u>	<u>\$ 276,688,207</u>	<u>\$ 734,978,206</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2021.

Deferred Charge on Refunding

The balance of deferred charge on refunding at June 30, 2021 is presented as a deferred outflow of resources in the Statement of Net Position as follows:

	Balance July 1, 2020	Deferred Charge on New Issues	Retirements	Balance June 30, 2021
Deferred charge on refunding	<u>\$ 6,992,809</u>	<u>\$ -</u>	<u>\$ (489,236)</u>	<u>\$ 6,503,573</u>

Deceased Debt

The District has also defeased general obligation in the current year and prior years by placing the proceeds of bonds, in prior years defeasance, and the District's own resources, for current year defeasance, into irrevocable trust accounts to provide for all future debt service payments on the old bonds. Accordingly, those trust account assets and the liability for those defeased bonds are not included in the District's financial statements. At June 30, 2021, \$19,040,000 of defeased bonds remain outstanding, which includes bonds defeased in the current fiscal year.

Capital Appreciation Bonds

A portion of the bonds sold in the Series 2012 bond issues were capital appreciation bonds commonly referred to as "premium compound interest bonds". The District annually records the appreciation of the bond principal for the accreted value of the bonds through maturity of the issue. The interest of these bonds series will be paid upon maturity. The following table summarizes the significant features of the individual bonds, by issue:

Series	Accreted Value	Principal	Accreted Interest	Maturity Value	Maturity Date
2012	<u>\$ 781,016</u>	<u>\$ 9,999</u>	<u>\$ 771,017</u>	<u>\$ 925,000</u>	2026

Note 6 - Long-term Liabilities (continued)

Capital Lease Obligations

Future minimum lease payments are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2022	\$ 162,905	\$ 37,697	\$ 200,602
2023	171,607	28,995	200,602
2024	180,774	19,828	200,602
2025	190,405	10,199	200,604
Total minimum lease payments	<u>\$ 705,691</u>	<u>\$ 96,719</u>	<u>\$ 802,410</u>

Note 7 - Revenues from Local, Intermediate, and Out-of-State Sources

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

	General Fund	Debt Service Funds	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 58,235,383	\$ 30,921,622	\$ -	\$ -	\$ 89,157,005
Penalties, interest and other tax related revenue	311,628	167,951	-	-	479,579
Investment income	59,068	38,851	329,237	-	427,156
Co-curricular student activities	1,642,470	-	-	122,632	1,765,102
Food sales	-	-	-	137,893	137,893
Other	235,922	-	186,816	319,978	742,716
	<u>\$ 60,484,471</u>	<u>\$ 31,128,424</u>	<u>\$ 516,053</u>	<u>\$ 580,503</u>	<u>\$ 92,709,451</u>

Note 8 - Operating Leases

Commitments under operating lease (non-capitalized) agreements for facilities and equipment are subject to fiscal funding clauses. As such, the agreements are cancelable and the District is therefore not obligated for minimum future rental payments as of June 30, 2021.

Rental expenditures for the year ended June 30, 2021, amounted to \$274,572.

Note 9 - Defined Benefit Pension Plan

A. Plan Description

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

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

B. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2020.pdf, or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

C. Benefits Provided

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

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

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

Note 9 - Defined Benefit Pension Plan

D. Contributions

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

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

	Contribution Rates	
	2021	2020
Member	7.7%	7.7%
Non-employer contributing agency	7.5%	7.5%
Employers	7.5%	7.5%

	Fiscal Year (2021)
Employer (District)	\$ 2,155,638
Employee (member)	5,149,163
Non-employer contributing entity on-behalf contributions (state)	3,574,125

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

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

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

Note 9 - Defined Benefit Pension Plan (continued)

D. Contributions (continued)

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

- All public schools, charter schools, and regional educational service centers must contribute 1.5 percent of the member's salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025.
- 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.

E. Actuarial Assumptions

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

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 Investment Rate of Return	7.25%
	2.33%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data
Municipal Bond Rate as of August 2020	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
Benefit Changes During the Year	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. These assumptions are further described the 2020 TRS ACFR, which includes actuarial valuation report dated November 14, 2019.

F. Discount Rate

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

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

Note 9 - Defined Benefit Pension Plan (continued)

F. Discount Rate (continued)

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

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2020 are summarized below:

Asset Class	FY 2020 Target Allocation¹ %	Long-Term Expected Geometric Real Rate of Return²	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S. Treasuries	18.00%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
Stable Value			
Government Bonds	16.00%	-0.70%	-0.05%
Absolute Return (Including Credit Sensitive Investments)	0.00%	1.80%	0.00%
Stable Value Hedge Funds	5.00%	1.90%	0.11%
Real Return			
Real Estate	15.00%	4.60%	1.01%
Energy, Natural Resources and Infrastructure	6.00%	6.00%	0.42%
Commodities	0.00%	0.80%	0.00%
Risk Parity			
Risk Parity	8.00%	3.00%	0.30%
Asset Allocation Leverage			
Cash	2.00%	-1.50%	-0.03%
Asset Allocation Leverage	-6.00%	-1.30%	0.08%
Inflation Expectation			2.00%
Volatility Drag ³			-0.67%
Expected Return	100.00%		7.33%

¹ Target allocations are based on the FY 2020 policy model.

² Capital Market Assumptions come from Aon Hewitt (as of 8/31/2020).

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

Note 9 - Defined Benefit Pension Plan (continued)

G. Discount Rate Sensitivity Analysis

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

	Discount Rate		
	1% Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
District's proportional share of the net pension liability	\$ 43,734,513	\$ 28,362,529	\$ 15,873,130

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

At June 30, 2021, the District reported a liability of \$28,362,529 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 28,362,529
State's proportionate share that is associated with the District	47,645,326
Total	<u>\$ 76,007,855</u>

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

At August 31, 2020, the District's proportion of the collective net pension liability was 0.0530% which was a decrease of 0.0082% from its proportion measured as of August 31, 2019.

The General and Special Revenue Funds are used to liquidate pension liabilities.

Changes Since the Prior Actuarial Valuation:

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

Note 9 - Defined Benefit Pension Plan (continued)

H. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Inflows of Resources Related to Pension (continued)

For the year ended June 30, 2021, the District recognized pension expense of \$4,150,475. The District also recognized an additional on behalf revenue and expense of \$5,730,675 representing for support provided by the State.

At June 30, 2021, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 51,788	\$ (791,523)
Changes of assumption	6,581,116	(2,798,245)
Net difference between projected and actual earnings on pension plan investments	574,175	-
Changes in proportion and differences between District contributions and proportionate share of contributions	2,176,196	(3,577,051)
District contributions subsequent to the measurement date	1,813,276	-
Total	<u>\$ 11,196,551</u>	<u>\$ (7,166,819)</u>

Deferred outflows of resources resulting from District contributions subsequent to the measurement date in the amount of \$1,813,276 will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended June 30,	Pension Expense Amount
2022	\$ 820,900
2023	1,193,701
2024	1,041,120
2025	151,196
2026	(815,105)
Thereafter	(175,356)
	<u>\$ 2,216,456</u>

Note 10 - Defined Other Post-Employment Benefit Plans

A. Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS- Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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

B. 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 https://www.trs.texas.gov/TRS%20Documents/cafr_2020.pdf, or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

C. Benefits Provided

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

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

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

TRS-Care Monthly Premium Rates			
	Medicare		Non-Medicare
Retiree or surviving spouse	\$	135	\$ 200
Retiree and spouse		529	689
Retiree or surviving spouse and children		468	408
Retiree and family		1,020	999

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

D. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	2021	2020
Member	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%

	Fiscal Year (2021)
Employer (District)	\$ 472,858
Employee (member)	423,849
Non-employer contributing entity on-behalf contributions (state)	1,064,063

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

E. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2020. The actuarial valuation was determined using the following actuarial 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	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	3.05% to 9.05%, including inflation
Ad hoc post-employment benefit changes	None

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

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2019 TRS pension actuarial valuation that was rolled forward to August 31, 2020: (a) Rates of Mortality, (b) Rates of Retirement, (c) Rates of Termination, (d) Rates of Disability, (e) General Inflation, (f) Wage Inflation, and (g) Expected Payroll Growth..

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

F. Discount Rate

A single discount rate of 2.33 percent was used to measure the Total OPEB Liability. There was a decrease of .30 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the nonemployer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2020 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2020 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

G. Discount Rate Sensitivity Analysis

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

	Discount Rate		
	1% Decrease (1.33%)	Current Rate (2.33%)	1% Increase (3.33%)
District's proportionate share of the net OPEB liability:	\$ 34,156,319	\$ 28,463,653	\$ 23,967,264

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

At June 30, 2021, the District reported a liability of \$28,463,653 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 28,463,653
State's proportionate share that is associated with District	38,248,327
Total	<u>\$ 66,711,980</u>

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

At August 31, 2020 the District's proportion of the collective Net OPEB Liability was 0.0749% which was an decrease of 0.0045% from its proportion measured as of August 31, 2019.

Healthcare Cost Trend Rates – The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the health trend rates assumed.

	Healthcare Cost Trend Rate		
	1% Decrease	Current	1% Increase
District's proportionate share of the net OPEB liability:	\$ 23,251,158	\$ 28,463,653	\$ 35,405,960

Changes since the Prior Actuarial Valuation

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

- The discount rate changed from 2.63 percent as of August 31, 2019 to 2.33 percent as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This changed lowered the Total OPEB Liability.

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

H. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (continued)

Changes since the Prior Actuarial Valuation (continued)

- The ultimate health care trend rate assumption was lowered from 4.50 percent to 4.25 percent 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 of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date

For the year ended June 30, 2021, the District recognized negative OPEB expense of \$416,037. The District also recognized and an additional negative on-behalf expense and revenue of \$265,582 for support provided by the State.

At June 30, 2021, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,490,346	\$ (13,026,423)
Changes in actuarial assumptions	1,755,616	(7,816,266)
Net difference between projected and actual investment earnings	9,249	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,993,774	(2,520,092)
Contributions paid to TRS subsequent to the measurement date	466,996	-
Total	<u>\$ 5,715,981</u>	<u>\$ (23,362,781)</u>

The \$466,996 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2022. The net amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30,	OPEB Expense Amount
2022	\$ (2,947,127)
2023	(2,948,364)
2024	(2,949,071)
2025	(2,948,877)
2026	(2,188,603)
Thereafter	<u>(4,131,754)</u>
	<u>\$ (18,113,796)</u>

The General and Special Revenue Funds are used to liquidate other post-employment liabilities.

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

I. Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended June 30, 2021, 2020, and 2019, the subsidy payments received by TRS-Care on-behalf of the District were \$291,836, \$315,566, and \$191,913, respectively. The information for the year ended June 30, 2021 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Note 11 - Risk Management

Property/Liability

The District is exposed to various risks of loss related to property/liability losses for which the District carries commercial insurance. The district is covered on property insurance with a limit of \$297,844,333. Insurance coverage is limited to a maximum amount of \$250,000 per occurrence.

Note 12 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and the District's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

Note 13 - Tax Abatement

On December 17, 2012, the Manor ISD Board of Trustees approved an Agreement with Samsung Austin Semiconductor, LLC (Samsung) for a Limitation On Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code, i.e., the Texas Economic Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended. Samsung qualified for a tax limitation agreement under Texas Tax Code §313.024(b)(5), as a manufacturing project.

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

Note 13 - Tax Abatement (continued)

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

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

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

As of the date of this report, the applicant company is in full compliance with all of its obligations under law and the agreement itself.

(A) Project Value 2021	(B) Project's Value Limitation Amount 2021	(C) Amount of Applicant's M&O Taxes Paid 2021	(D) Amount of Applicant's M&O Taxes Reduced 2021	(E) Company Revenue Loss Payment to School District 2021	(F) Company Supplemental Payment To School District 2021	(G) Net Benefit (Loss) to the School District 2021 (C+E+F)
\$894,117	\$80,000,000	\$754,160	\$8,428,841	\$0	\$706,562	\$1,460,722

Note 14 - COVID-19

On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the COVID-19, which disaster declaration he has subsequently extended.

In addition to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) of 2020, the federal government approved two additional Coronavirus aid financial packages:

- ESSER II, Coronavirus Response and Relief Supplemental Appropriations (CRRSA), was published in June 2021 with a District allocation of \$5.2 million. ESSER II has a pre-award period starting in March 2020 with the grant period ending in September 2023.
- The American Rescue Plan (ARP) Act, also known as ESSER III, was released in April 2021. The District was allocated \$11.7 million to be spent over the course of three years ending September 30, 2024. Phase I of ESSER III has been made available for reimbursements not to exceed \$7.8 million. Phase II in the amount of \$3.9 million is expected to be released at a later date.

Note 15 - Subsequent Events

As of September 2, 2021, the Texas Education Agency (TEA) informed local education agencies (LEAs) that it has no plans to issue missed school day waivers due to COVID-19 during the 2021-2022 school year when the LEA or its campuses are closed. Each LEA will need to plan to make up time for school closures during the school year and may need to add additional instructional days and/or minutes to their calendar to meet the 75,600 operational minute requirement.

LEAs have reported to the TEA that attendance rate declines continue to occur due to COVID-19. As a result, the TEA is exploring options to ensure school systems will not experience significant financial difficulties. Additionally, LEAs had varying daily rates of attendance during the 2020-2021 school year due to the impact of virtual learning options. Once the TEA receives this local information in a PEIMS upload this fall, it will be equipped to analyze, understand, and determine potential changes to the rules around waivers, particularly low attendance waivers. As of the date of this report, the District has not determined the impact.



REQUIRED SUPPLEMENTARY INFORMATION

MANOR INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2021

Exhibit G-1

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local revenues	\$ 54,082,335	\$ 54,082,335	\$ 60,484,471	\$ 6,402,136
State program revenues	36,397,665	36,397,665	32,477,966	(3,919,699)
Federal program revenues	1,760,000	1,760,000	1,659,254	(100,746)
Total Revenues	92,240,000	92,240,000	94,621,691	2,381,691
Expenditures				
Current:				
Instruction	50,030,615	50,999,403	48,639,283	2,360,120
Instructional resources and media services	961,950	983,017	880,326	102,691
Curriculum and staff development	1,249,077	1,225,377	1,123,547	101,830
Instructional leadership	3,512,941	3,490,176	3,372,085	118,091
School leadership	6,521,994	6,550,885	6,367,355	183,530
Guidance, counseling and evaluation services	2,429,920	2,754,261	2,724,237	30,024
Social work services	792,646	788,116	779,341	8,775
Health services	1,301,022	1,303,729	1,263,838	39,891
Student transportation	4,992,343	4,491,747	3,987,091	504,656
Food service	-	245,500	245,433	67
Extracurricular activities	2,317,502	2,282,219	2,066,160	216,059
General administration	2,991,359	3,239,683	3,159,364	80,319
Facilities maintenance and operations	10,093,446	10,405,732	9,772,322	633,410
Security and monitoring services	1,654,420	1,615,370	1,314,603	300,767
Data processing services	2,230,573	2,281,412	2,105,806	175,606
Community services	655,192	649,458	533,033	116,425
Intergovernmental:				
Payments to Juvenile Justice Alt. Ed. Prgm.	5,000	5,000	-	5,000
Payments to other governments	500,000	362,401	362,401	-
Total Expenditures	92,240,000	93,673,486	88,696,225	4,977,261
Net change in fund balances	-	(1,433,486)	5,925,466	7,358,952
Fund Balances - Beginning	31,493,366	31,493,366	31,493,366	-
Fund Balances - Ending	\$ 31,493,366	\$ 30,059,880	\$ 37,418,832	\$ 7,358,952

MANOR INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY SCHEDULE

For the Year Ended June 30, 2021

The District adopts annual appropriations type budgets for the General Fund, Child Nutrition Program Special Revenue Fund, and the Debt Service Fund using the same method of accounting as for financial reporting, as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level by the Board of Trustees upon acceptance of the grants. These grants are subject to federal, state, and locally imposed project length budgets and monitoring through submission of reimbursement reports. The General Fund Budget report is presented on Exhibit G-1, the Child Nutrition Program Special Revenue fund budget report and the Debt Service Fund budget report appear on Exhibit J-2 and J-3, respectively.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made during the fiscal year ended June 30, 2021.

The administrative level at which responsibility for control of budgeted appropriations begins is at the organizational level within each function of operations. The finance department reviews the expenditure requests submitted by the various organizational heads (principal and department heads) throughout the year to ensure proper spending compliance. No public funds of the District shall be expended in any manner other than as provided for in the budget adopted by the Board of Trustees.

The official school budget was prepared for adoption for budgeted governmental fund types by June 30, 2020. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

Encumbrance accounting is utilized in all government fund types. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year-end and encumbrances outstanding at that time are appropriately provided for in the subsequent year's budget.

For the year ended June 30, 2021, the District did not have expenditures in excess of appropriations in the general fund.

MANOR INDEPENDENT SCHOOL DISTRICT

Exhibit G-2

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY REQUIRED SUPPLEMENTARY INFORMATION Teacher Retirement System of Texas For the Last Seven Measurement Years Ended June 30

	2020	2019	2018	2017
District's proportion of the net pension liability	0.0530%	0.0612%	0.0599%	0.0545%
District's proportionate share of the net pension liability	\$ 28,362,529	\$ 31,793,033	\$ 32,953,005	\$ 17,423,755
State's proportionate share of the net pension liability associated with the District	47,645,326	43,607,318	45,591,662	28,233,322
Total	<u>\$ 76,007,855</u>	<u>\$ 75,400,351</u>	<u>\$ 78,544,667</u>	<u>\$ 45,657,077</u>
District's covered payroll (for Measurement Year)	\$ 65,795,575	\$ 63,455,415	\$ 59,939,410	\$ 57,223,710
District's proportionate share of the net pension liability as a percentage of covered payroll	43.11%	50.10%	54.98%	30.45%
Plan's fiduciary net position as a percentage of the total pension liability *	75.54%	75.24%	73.74%	82.17%
Plan's net pension liability as a percentage of covered payroll *	110.36%	114.93%	126.11%	75.93%
	2016	2015	2014	
District's proportion of the net pension liability	0.0585%	0.0565%	0.0424%	
District's proportionate share of the net pension liability	\$ 22,092,768	\$ 19,972,776	\$ 11,330,541	
State's proportionate share of the net pension liability associated with the District	33,022,025	30,171,032	23,732,728	
Total	<u>\$ 55,114,793</u>	<u>\$ 50,143,808</u>	<u>\$ 35,063,269</u>	
District's covered payroll (for Measurement Year)	\$ 57,282,739	\$ 52,822,628	\$ 48,547,788	
District's proportionate share of the net pension liability as a percentage of its covered payroll	38.57%	37.81%	23.34%	
Plan's fiduciary net position as a percentage of the total pension liability *	78.00%	78.43%	83.25%	
Plan's net pension liability as a percentage of covered payroll *	92.75%	91.94%	72.89%	

The amounts presented for each Plan year which ends the preceding August 31 of the Districts fiscal year
Net pension liability is presented prospectively in accordance with GASB 68.

* Per Teacher retirement System of Texas' comprehensive annual financial report

MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
Teacher Retirement System of Texas
For the Last Six Fiscal Years Ended June 30

Exhibit G-3

	2021	2020	2019	2018
Contractually required contributions	\$ 2,155,638	\$ 2,187,009	\$ 2,182,736	\$ 2,058,940
Contributions in relation to the contractually required contributions	2,155,638	2,187,009	2,182,736	2,058,940
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 64,695,584	\$ 65,770,930	\$ 62,950,545	\$ 61,951,863
Contributions as a percentage of covered payroll	3.33%	3.33%	3.47%	3.32%
	2017	2016	2015	
Contractually required contributions	\$ 1,695,335	\$ 1,876,432	\$ 1,719,011	
Contributions in relation to the contractually required contributions	1,695,335	1,876,432	1,719,011	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
District's covered payroll	\$ 54,437,245	\$ 57,058,223	\$ 51,812,156	
Contributions as a percentage of covered payroll	3.11%	3.29%	3.32%	

Notes:

Ten years of data should be presented in this schedule but data is unavailable prior to 2015.
Contribution data will be presented prospectively in accordance with GASB 68.

MANOR INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION
Teacher Retirement System of Texas

Changes of Assumptions

There were no changes to assumptions from the prior year actuary valuation.

Changes in Benefit Terms

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

Other Information

Effective September 1, 2014, employers who did not contribute to Social Security for TRS-eligible employees were required to contribute an additional 1.5% of TRS-eligible compensation which nearly doubled the District's contributions into the Plan. Because the District's proportional share of the plan is determined by its proportional share of contributions, the District recognized a corresponding increase in its share of net pension liability.

MANOR INDEPENDENT SCHOOL DISTRICT**Exhibit G-4****SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY****REQUIRED SUPPLEMENTARY INFORMATION****Teacher Retirement System of Texas****For the Last Four Measurement Years Ended June 30**

	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.0749%	0.0794%	0.0763%	0.0751%
District's proportionate share of the net OPEB liability	\$ 28,463,653	\$ 37,541,156	\$ 38,077,606	\$ 32,654,012
State's proportionate share of the net OPEB liability associated with the District	38,248,327	49,883,799	51,207,637	45,260,096
Total	<u>\$ 66,711,980</u>	<u>\$ 87,424,955</u>	<u>\$ 89,285,243</u>	<u>\$ 77,914,108</u>
District's covered payroll (for Measurement Year)	\$ 65,795,575	\$ 63,455,415	\$ 59,939,410	\$ 57,223,710
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	43.3%	59.2%	63.5%	57.1%
Plan fiduciary net position as a percentage of the total OPEB liability	4.99%	2.66%	1.57%	0.91%
Plan's net OPEB liability as a percentage of covered payroll	101.46%	135.21%	146.64%	132.55%

Note: Ten years of data should be presented in this schedule but data is unavailable prior to 2017

Net OPEB liability and related ratios will be presented prospectively as data becomes available.

MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
Teacher Retirement System of Texas
For the Last Six Fiscal Years Ended June 30

Exhibit G-5

	2021	2020	2019	2018
Contractually required contributions	\$ 472,858	\$ 571,426	\$ 568,234	\$ 536,486
Contributions in relation to the contractually required contributions	472,858	571,426	568,234	536,486
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 64,695,584	\$ 65,770,930	\$ 62,950,545	\$ 61,951,863
Contributions as a percentage of covered payroll	0.73%	0.87%	0.90%	0.87%
	2017	2016		
Contractually required contributions	\$ 372,044	\$ 374,993		
Contributions in relation to the contractually required contributions	372,044	374,993		
Contribution deficiency (excess)	\$ -	\$ -		
District's covered payroll	\$ 54,437,245	\$ 51,812,156		
Contributions as a percentage of covered payroll	0.68%	0.72%		

Notes:

- Ten years of data should be presented in this schedule but data is unavailable prior to 2016.
- Contribution data will be presented prospectively in accordance with GASB 75.

MANOR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - OPEB

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

Changes of Benefit Terms

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



OTHER SUPPLEMENTARY INFORMATION

MANOR INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2021

Exhibit H-1
Page 1 of 4

Data Control Codes		206	211	224	225	240
		ESEA Title X				
		Part C -				
		Education for	ESEA Title I Part	IDEA - Part B	IDEA - Part B	
		Homeless	A - Improving	Formula	Preschool	Child Nutrition
		Children	Basic Programs			
Assets						
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 1,290
	Receivables:					
1240	Receivables from other governments	10,009	313,728	748,965	26,173	999,289
1260	Due from other funds	32,013	-	275,645	-	2,514,411
1290	Other receivables	-	-	-	-	-
1310	Inventories, at cost	-	-	-	-	280,067
1000	Total Assets	\$ 42,022	\$ 313,728	\$ 1,024,610	\$ 26,173	\$ 3,795,057
Liabilities and Fund Balances						
Liabilities:						
Current Liabilities:						
2110	Accounts payable	\$ -	\$ 18,927	\$ 14,033	\$ -	\$ 5,296
	Payroll deduction and withholdings					
2150	payable	178	6,678	6,336	-	19,894
2160	Accrued wages payable	-	-	-	-	197,847
2170	Due to other funds	41,312	288,123	1,004,241	26,173	2,313,518
2300	Unearned revenues	532	-	-	-	-
2000	Total Liabilities	42,022	313,728	1,024,610	26,173	2,536,555
Fund Balances:						
Restricted:						
3450	Federal/State grant restrictions	-	-	-	-	1,258,502
3490	Local grants	-	-	-	-	-
Committed:						
3545	Other purposes	-	-	-	-	-
3000	Total fund balances					1,258,502
4000	Total Liabilities and Fund Balances	\$ 42,022	\$ 313,728	\$ 1,024,610	\$ 26,173	\$ 3,795,057

MANOR INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2021

Exhibit H-1
Page 2 of 4

Data Control Codes		244	255	263	266	274
		Career and Technical - Basic Grant	Title II, Part A - Supportive Effective Instruction	Title III, Part A - English Language Acquisition	ESSER Grant	GEAR UP
	Assets					
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
	Receivables:					
1240	Receivables from other governments	72,949	48,535	59,493	179,463	41,098
1260	Due from other funds	-	109,085	260,637	-	-
1290	Other receivables	-	85	-	-	150
1310	Inventories, at cost	-	-	-	-	-
1000	Total Assets	<u>\$ 72,949</u>	<u>\$ 157,705</u>	<u>\$ 320,130</u>	<u>\$ 179,463</u>	<u>\$ 41,248</u>
	Liabilities and Fund Balances					
	Liabilities:					
	Current Liabilities:					
2110	Accounts payable	\$ 100	\$ 13,456	\$ 7,565	\$ -	\$ -
	Payroll deduction and withholdings					
2150	payable	-	324	1,704	-	1,336
2160	Accrued wages payable	-	-	-	-	-
2170	Due to other funds	72,849	143,925	310,861	179,463	39,912
2300	Unearned revenues	-	-	-	-	-
2000	Total Liabilities	<u>72,949</u>	<u>157,705</u>	<u>320,130</u>	<u>179,463</u>	<u>41,248</u>
	Fund Balances:					
	Restricted:					
3450	Federal/State grant restrictions	-	-	-	-	-
3490	Local grants	-	-	-	-	-
	Committed:					
3545	Other purposes	-	-	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 72,949</u>	<u>\$ 157,705</u>	<u>\$ 320,130</u>	<u>\$ 179,463</u>	<u>\$ 41,248</u>

MANOR INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2021

Exhibit H-1
Page 3 of 4

		277	281	289	385	397
Data					State	
Control				Federally Funded	Supplemental	Advanced
Codes		Coronavirus	ESSER II	Special Revenue	Visually	Placement
		Relief Fund		Funds	Impaired	Initiatives
	Assets					
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
	Receivables:					
1240	Receivables from other governments	-	1,799,696	42,127	1,755	-
1260	Due from other funds	-	-	-	-	2,810
1290	Other receivables	-	-	-	-	-
1310	Inventories, at cost	-	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>1,799,696</u>	<u>\$ 42,127</u>	<u>\$ 1,755</u>	<u>\$ 2,810</u>
	Liabilities and Fund Balances					
	Liabilities:					
	Current Liabilities:					
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
	Payroll deduction and withholdings					
2150	payable	-	-	-	-	-
2160	Accrued wages payable	-	-	-	-	-
2170	Due to other funds	-	1,799,696	42,127	1,755	-
2300	Unearned revenues	-	-	-	-	2,700
2000	Total Liabilities	<u>-</u>	<u>1,799,696</u>	<u>42,127</u>	<u>1,755</u>	<u>2,700</u>
	Fund Balances:					
	Restricted:					
3450	Federal/State grant restrictions	-	-	-	-	110
3490	Local grants	-	-	-	-	-
	Committed:					
3545	Other purposes	-	-	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 1,799,696</u>	<u>\$ 42,127</u>	<u>\$ 1,755</u>	<u>\$ 2,810</u>

MANOR INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2021

Exhibit H-1
Page 4 of 4

		410	429	461	499	
Data Control Codes		Instructional Materials Allotment	State Special Revenue Fund	Campus Activity Funds	Local Grants	Total Nonmajor Governmental Funds
	Assets					
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 1,290
	Receivables:					
1240	Receivables from other governments	-	773,964	-	-	5,117,244
1260	Due from other funds	16,362	-	262,274	393,963	3,867,200
1290	Other receivables	-	-	-	-	235
1310	Inventories, at cost	-	-	-	-	280,067
1000	Total Assets	<u>\$ 16,362</u>	<u>\$ 773,964</u>	<u>\$ 262,274</u>	<u>\$ 393,963</u>	<u>\$ 9,266,036</u>
	Liabilities and Fund Balances					
	Liabilities:					
	Current Liabilities:					
2110	Accounts payable	\$ -	\$ 40,733	\$ 37,647	\$ 1,475	\$ 139,232
	Payroll deduction and withholdings					
2150	payable	-	259	-	242	36,951
2160	Accrued wages payable	-	-	-	-	197,847
2170	Due to other funds	-	653,058	-	-	6,917,013
2300	Unearned revenues	16,362	26,938	-	233,941	280,473
2000	Total Liabilities	<u>16,362</u>	<u>720,988</u>	<u>37,647</u>	<u>235,658</u>	<u>7,571,516</u>
	Fund Balances:					
	Restricted:					
3450	Federal/State grant restrictions	-	52,976	-	-	1,311,588
3490	Local grants	-	-	-	158,305	158,305
	Committed:					
3545	Other purposes	-	-	224,627	-	224,627
3000	Total fund balances	<u>-</u>	<u>52,976</u>	<u>224,627</u>	<u>158,305</u>	<u>1,694,520</u>
4000	Total Liabilities and Fund Balances	<u>\$ 16,362</u>	<u>\$ 773,964</u>	<u>\$ 262,274</u>	<u>\$ 393,963</u>	<u>\$ 9,266,036</u>

MANOR INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

Exhibit H-2

Page 1 of 4

Data Control Codes		206 ESEA Title X Part C - Education for Homeless Children	211 ESEA Title I Part A - Improving Basic Programs	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 Child Nutrition
	Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -	\$ 137,893
5800	State program revenues	-	-	-	-	29,293
5900	Federal program revenues	51,502	1,360,158	1,467,268	26,173	3,436,556
5020	Total Revenues	<u>51,502</u>	<u>1,360,158</u>	<u>1,467,268</u>	<u>26,173</u>	<u>3,603,742</u>
	Expenditures					
	Current:					
0011	Instruction	-	345,598	1,334,375	26,173	-
0012	Instruction resources and media services	-	-	-	-	-
0013	Curriculum and instructional staff development	-	262,913	-	-	-
0021	Instructional leadership	-	248,011	-	-	-
0023	School leadership	-	7,507	-	-	-
0031	Guidance, counseling and evaluation services	-	6,390	132,893	-	-
0032	Social work services	51,402	157,231	-	-	-
0035	Food service	-	-	-	-	3,600,105
0036	Extracurricular activities	-	-	-	-	-
0041	General administration	-	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-	-
0052	Security and monitoring services	-	-	-	-	-
0053	Data processing services	-	-	-	-	-
0061	Community services	100	332,508	-	-	-
6030	Total Expenditures	<u>51,502</u>	<u>1,360,158</u>	<u>1,467,268</u>	<u>26,173</u>	<u>3,600,105</u>
1100	Excess (deficiency) of revenues over expenditures	-	-	-	-	3,637
1200	Net change in fund balances	-	-	-	-	3,637
0100	Fund Balance - Beginning	-	-	-	-	1,254,865
3000	Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,258,502</u>

MANOR INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

Exhibit H-2

Page 2 of 4

	244	255	263	266	274
	Career and Technical - Basic Grant	Title II, Part A - Supportive Effective Instruction	Title III, Part A - English Language Acquisition	ESSER Grant	GEAR UP
Revenues					
Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -	\$ -
State program revenues	-	-	-	-	-
Federal program revenues	84,858	208,995	282,056	989,061	169,751
Total Revenues	<u>84,858</u>	<u>208,995</u>	<u>282,056</u>	<u>989,061</u>	<u>169,751</u>
Expenditures					
Current:					
Instruction	64,040	-	40,063	821,033	2,050
Instruction resources and media services	-	-	-	-	-
Curriculum and instructional staff development	20,818	203,666	11,920	-	899
Instructional leadership	-	5,329	229,898	-	166,802
School leadership	-	-	175	-	-
Guidance, counseling and evaluation services	-	-	-	-	-
Social work services	-	-	-	-	-
Food service	-	-	-	-	-
Extracurricular activities	-	-	-	-	-
General administration	-	-	-	-	-
Plant maintenance and operations	-	-	-	168,028	-
Security and monitoring services	-	-	-	-	-
Data processing services	-	-	-	-	-
Community services	-	-	-	-	-
Total Expenditures	<u>84,858</u>	<u>208,995</u>	<u>282,056</u>	<u>989,061</u>	<u>169,751</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-	-
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MANOR INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

Exhibit H-2

Page 3 of 4

Data Control Codes		277	281	289	385	397
		Coronavirus Relief Fund	ESSER II	Federally Funded Special Revenue Funds	State Supplemental Visually Impaired	Advanced Placement Initiatives
	Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	1,755	-
5900	Federal program revenues	541,500	1,799,696	116,129	-	-
5020	Total Revenues	<u>541,500</u>	<u>1,799,696</u>	<u>116,129</u>	<u>1,755</u>	<u>-</u>
	Expenditures					
	Current:					
0011	Instruction	133,500	1,799,696	99,757	1,755	-
0012	Instruction resources and media services	-	-	-	-	-
0013	Curriculum and instructional staff development	-	-	14,777	-	-
0021	Instructional leadership	-	-	1,595	-	-
0023	School leadership	-	-	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-	-	-
0032	Social work services	-	-	-	-	-
0035	Food service	-	-	-	-	-
0036	Extracurricular activities	-	-	-	-	-
0041	General administration	-	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-	-
0052	Security and monitoring services	-	-	-	-	-
0053	Data processing services	408,000	-	-	-	-
0061	Community services	-	-	-	-	-
6030	Total Expenditures	<u>541,500</u>	<u>1,799,696</u>	<u>116,129</u>	<u>1,755</u>	<u>-</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balances	-	-	-	-	-
0100	Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110</u>
3000	Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110</u>

MANOR INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

Exhibit H-2

Page 4 of 4

		410	429	461	499	
Data Control Codes		Instructional Materials Allotment	State Special Revenue Fund	Campus Activity Funds	Local Grants	Total Nonmajor Governmental Funds
Revenues						
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ 122,632	\$ 319,978	\$ 580,503
5800	State program revenues	318,054	947,486	-	-	1,296,588
5900	Federal program revenues	-	-	-	-	10,533,703
5020	Total Revenues	<u>318,054</u>	<u>947,486</u>	<u>122,632</u>	<u>319,978</u>	<u>12,410,794</u>
Expenditures						
Current:						
0011	Instruction	318,054	126,543	-	167,926	5,280,563
0012	Instruction resources and media services	-	-	-	6,515	6,515
0013	Curriculum and instructional staff development	-	400	-	32,886	548,279
0021	Instructional leadership	-	-	-	33,695	685,330
0023	School leadership	-	-	-	19,500	27,182
0031	Guidance, counseling and evaluation services	-	-	-	-	139,283
0032	Social work services	-	742,224	-	-	950,857
0035	Food service	-	-	-	-	3,600,105
0036	Extracurricular activities	-	-	131,437	3,035	134,472
0041	General administration	-	-	-	50,000	50,000
0051	Plant maintenance and operations	-	-	-	-	168,028
0052	Security and monitoring services	-	78,319	-	-	78,319
0053	Data processing services	-	-	-	-	408,000
0061	Community services	-	-	-	6,421	339,029
6030	Total Expenditures	<u>318,054</u>	<u>947,486</u>	<u>131,437</u>	<u>319,978</u>	<u>12,415,962</u>
1100	Excess (deficiency) of revenues over expenditures	-	-	(8,805)	-	(5,168)
1200	Net change in fund balances	-	-	(8,805)	-	(5,168)
0100	Fund Balance - Beginning	<u>-</u>	<u>52,976</u>	<u>233,432</u>	<u>158,305</u>	<u>1,699,688</u>
3000	Fund Balance - Ending	<u>\$ -</u>	<u>\$ 52,976</u>	<u>\$ 224,627</u>	<u>\$ 158,305</u>	<u>\$ 1,694,520</u>



REQUIRED TEA SCHEDULES

MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended June 30, 2021

Exhibit J-1
Page 1 of 2

	1	2	3	10
	Tax Rates		Net Assessed/Appraised	Beginning
Last Ten	Maintenance	Debt Service	Value For School	Balance
Fiscal Years				
			Tax Purposes	7/1/2020
2012 and prior	Various	Various	Various	\$ 1,182,200
2013	1.040000	0.475000	3,250,287,925	95,548
2014	1.040000	0.475000	3,151,131,023	76,003
2015	1.040000	0.475000	4,186,459,208	64,706
2016	1.040000	0.475000	3,902,520,528	86,504
2017	1.040000	0.475000	4,670,138,746	134,249
2018	1.040000	0.475000	4,893,258,086	172,058
2019	1.040000	0.475000	4,895,991,089	312,421
2020	0.970000	0.500000	5,630,810,408	1,262,206
2021	0.942700	0.499970	6,186,063,064	-
1000 Totals				<u><u>\$ 3,385,895</u></u>

MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended June 30, 2021

Exhibit J-1
Page 2 of 2

	20	31	32	40	50
Last Ten Fiscal Years	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 6/30/2021
2012 and prior	\$ -	\$ 3,566	\$ 979	\$ (504)	\$ 1,177,151
2013	-	1,141	521	-	93,886
2014	-	1,153	527	-	74,323
2015	-	4,779	2,183	-	57,744
2016	-	6,930	3,165	2,341	78,750
2017	-	65,841	30,072	44,658	82,994
2018	-	119,823	54,727	115,517	113,025
2019	-	99,623	45,501	69,911	237,208
2020	-	445,087	229,426	(1,863)	585,830
2021	<u>89,244,476</u>	<u>57,530,144</u>	<u>30,511,787</u>	<u>-</u>	<u>1,202,545</u>
1000 Totals	<u><u>\$ 89,244,476</u></u>	<u><u>\$ 58,278,087</u></u>	<u><u>\$ 30,878,888</u></u>	<u><u>\$ 230,060</u></u>	<u><u>3,703,456</u></u>
					<u>3,346,379</u>
					<u><u>\$ 7,049,835</u></u>

Penalties and interest receivable on taxes

Total taxes receivable per Exhibit C-1

MANOR INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION PROGRAM
For the Year Ended June 30, 2021

Exhibit J-2

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local revenues	\$ 1,317,000	\$ 1,317,000	\$ 137,893	\$ (1,179,107)
State program revenues	33,000	33,000	29,293	(3,707)
Federal program revenues	4,550,000	4,550,000	3,436,556	(1,113,444)
Total Revenues	<u>5,900,000</u>	<u>5,900,000</u>	<u>3,603,742</u>	<u>(2,296,258)</u>
Expenditures				
Current:				
Food services	5,900,000	5,900,000	3,600,105	2,299,895
Total Expenditures	<u>5,900,000</u>	<u>5,900,000</u>	<u>3,600,105</u>	<u>2,299,895</u>
Net change in fund balances	-	-	3,637	3,637
Fund Balances - Beginning	<u>1,254,865</u>	<u>1,254,865</u>	<u>1,254,865</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,254,865</u>	<u>\$ 1,254,865</u>	<u>\$ 1,258,502</u>	<u>\$ 3,637</u>

MANOR INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
For the Year Ended June 30, 2021

Exhibit J-3

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local revenues	\$ 29,126,500	\$ 29,126,500	\$ 31,128,424	\$ 2,001,924
State program revenues	2,000	275,000	278,619	3,619
Total Revenues	<u>29,128,500</u>	<u>29,401,500</u>	<u>31,407,043</u>	<u>2,005,543</u>
Expenditures				
Debt Service:				
Principal on long-term debt	10,345,000	14,091,833	14,065,000	26,833
Interest on long-term debt	18,471,588	18,471,587	18,498,420	(26,833)
Bond issuance costs and fees	-	16,040	16,040	-
Total Expenditures	<u>28,816,588</u>	<u>32,579,460</u>	<u>32,579,460</u>	<u>-</u>
Net change in fund balances	311,912	(3,177,960)	(1,172,417)	2,005,543
Fund Balances - Beginning	<u>30,300,673</u>	<u>30,300,673</u>	<u>30,300,673</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 30,612,585</u>	<u>\$ 27,122,713</u>	<u>\$ 29,128,256</u>	<u>\$ 2,005,543</u>



FEDERAL AWARDS SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Manor Independent School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated November 15, 2021.

Internal Control Over Financial Reporting

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

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2020-002 that we consider to be significant deficiencies.

To the Board of Trustees
Manor Independent School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
November 15, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Manor Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
November 15, 2021

MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes. Finding 2021-001 Finding 2021-002
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	No

Identification of major programs

Name of Federal Program or Cluster	Assistance Listing Number
Child Nutrition Cluster	
<i>National School Lunch Program (Commodities)</i>	10.555
<i>National School Lunch Program</i>	10.555
<i>National School Breakfast Program</i>	10.553
<i>COVID-19 - National School Lunch Program</i>	
<i>Emergency Operational Cost Reimbursement</i>	10.555
<i>COVID-19 - Elementary and Secondary School Emergency Relief I (ESSER I)</i>	84.425D
<i>COVID-19 - ESSER II – Prior Purchase Reimbursement Program</i>	84.425D
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
Auditee qualified as low-risk auditee?	No

MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended June 30, 2021

II. Financial Statement Findings

Finding 2021-001 Internal Control over Financial Reporting: Financial Close

Type of Finding: Significant Deficiency

Criteria: Proper controls over financial reporting include a system designed to provide for the proper preparation and presentation of the financial statement and accompanying notes that are in accordance with accounting principles generally accepted in the United States of America. This includes proper account reconciliations.

Condition: During the course of our audit, it was noted that the District did not properly reconcile several accounts including capital assets.

Cause: The District's size and limited staffing resources have made it difficult for management to provide sufficient staffing of experienced personnel. Because these errors were not detected timely by the District, there is an indication that closing procedures were not being effectively performed.

Effect: Lack of proper account reconciliations may result in financial statements and accompanying notes to the financial statements to be misleading.

Recommendation: We recommend that the District reviews internal control procedures over financial close, including account reconciliations, to ensure that controls are in place to detect any accounts that are not properly reconciled.

Finding 2021-002 Internal Control over Financial Reporting: Policies and Procedures

Type of Finding: Significant Deficiency

Criteria: The District is required to maintain internal control procedures including adopting and enforcing policies over certain areas to ensure that proper controls are followed.

Condition: During the course of our audit, it was noted that purchasing policy regarding procurement card purchases was not always followed. Out of 23 transactions tested, 4 were for purchases of electronic devices which is prohibited by the District's policy.

Cause: The District's turnover in personnel has led to lack of training and, as in this case, new personnel are not familiar with the adopted policies.

Effect: Lack of proper controls over procurement card purchases may lead to unauthorized or fraudulent transactions.

Recommendation: We recommend that the District implement controls around the procurement card transactions that includes review of all transactions to assure that the District policy is being followed.

III. Federal Awards Findings and Questioned Costs

None noted

MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Exhibit K-1
Page 1 of 2

Fund Code	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal ALN	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U. S. Department of Education				
Passed Through Texas Education Agency:				
206	<i>Texas Education for Homeless Children and Youth</i>	84.196A	204600057110051	\$ 4,744
206	<i>Texas Education for Homeless Children and Youth</i>	84.196A	214600057110047	46,758
	<i>Total ALN 84.196</i>			<u>51,502</u>
211	<i>Title I Part A - Improving Basic Programs</i>	84.010A	20610101227907	332,245
211	<i>Title I Part A - Improving Basic Programs</i>	84.010A	21610101227907	1,070,557
	<i>Total ALN 84.010</i>			<u>1,402,802</u>
211	<i>2018-2020 School Transformation Fund</i>	84.377A	176107337110019	28,186
225	<i>IDEA B - Preschool</i>	84.173A	206610012279076000	11,987
225	<i>IDEA B - Preschool</i>	84.173A	196610012279076000	15,269
224	<i>IDEA B - Formula</i>	84.027A	216600012279076000	1,467,268
	<i>Total Special Education Cluster (ALN 84.173 and 84.027)</i>			<u>1,494,524</u>
244	<i>Carl D. Perkins Basic Formula</i>	84.048A	20420006227907	6,149
244	<i>Carl D. Perkins Reserve Grant</i>	84.048A	21420006227907	78,709
	<i>Total ALN 84.048</i>			<u>84,858</u>
255	<i>Title II, Part A - Supporting Effective Instruction</i>	84.367A	20694501227907	77,925
255	<i>Title II, Part A - Supporting Effective Instruction</i>	84.367A	21694501227907	142,124
	<i>Total ALN 84.367</i>			<u>220,049</u>
263	<i>Title III, Part A - ELA</i>	84.365A	20671001227907	48,828
263	<i>Title III, Part A - ELA</i>	84.365A	21671001227907	248,130
	<i>Total ALN 84.365</i>			<u>296,958</u>
266	<i>COVID 19 - Elementary and Secondary School Emergency Relief I (ESSER I)</i>	84.425D	20521001227907	989,061
281	<i>COVID-19 - ESSER II - Prior Purchase Reimbursement Program</i>	84.425D	52102135	1,799,696
	<i>Total ALN 84.425</i>			<u>2,788,757</u>
289	<i>Title IV, Part A, Subpart 1</i>	84.424A	21680101227907	88,888
289	<i>Title IV, Part A, Subpart 1</i>	84.424A	20680101227907	31,112
	<i>Total ALN 84.424</i>			<u>120,000</u>
199	<i>Summer School LEP</i>	84.369A	69551902	8,703
U. S. Department of Education (continued)				
Passed Through University of Texas at Austin:				
274	<i>Gaining Early Awareness and Readiness for Undergraduate Programs</i>	84.334	P334A170079	\$ 46,273
274	<i>Gaining Early Awareness and Readiness for Undergraduate Programs</i>	84.334	P334A170079	123,478
	<i>Total ALN 84.334</i>			<u>169,751</u>
Total U. S. Department of Education				<u>6,666,090</u>

MANOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Exhibit K-1

Page 2 of 2

Fund Code	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal ALN	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U. S. Department of Agriculture				
Passed Through the Texas Department of Agriculture:				
<i>Non-Cash Assistance:</i>				
240	National School Lunch Program - USDA Commodities	10.555	806780706	435,786
<i>Cash Assistance:</i>				
240	COVID-19 - National School Lunch Program - Emergency Operational Cost Reimbursement	10.555	01070	573,354
Passed Through Texas Education Agency:				
240	National School Lunch Program	10.555	71302101	1,569,181
240	National School Breakfast Program	10.553	71402101	858,235
	Total Child Nutrition Cluster (ALN10.553 and 10.555)			<u>3,436,556</u>
Total U. S. Department of Agriculture				<u>3,436,556</u>
U. S. Department of Treasury				
Passed Through Texas Education Agency:				
<i>Non-Cash Assistance:</i>				
277	COVID-19 - Coronavirus Relief Fund			
	Operation Connectivity Bulk Purchase Program	21.019	52202002	<u>541,500</u>
Total U. S. Department of Treasury				<u>541,500</u>
Total Expenditures of Federal Awards				<u><u>\$ 10,644,146</u></u>

MANOR INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Exhibit K-2

Note 1 - Summary of Significant Accounting Policies

The District accounts for all awards under federal programs in the General and Special Revenue Funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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. Generally, unused balances are returned to the grantor at the close of specified project periods.

All federal grants are subject to review by the grantor agencies. Any expenditures identified by the grantor agencies as disallowed could require reimbursement to the grantor agency from the District's general fund.

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 3 - Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal awards program per Exhibit K-1 and expenditures reported on Exhibit C-3:

Total shown on Schedule of Expenditures of Federal Awards	\$ 10,644,146
Federal Revenue Accounted for in Governmental Funds:	
SHARS	1,184,851
E-Rate	363,960
Total Expenditures of Federal Awards per SEFA	<u>1,548,811</u>
Total Federal Revenue - Exhibit C-3	<u>\$ 12,192,957</u>

MANOR INDEPENDENT SCHOOL DISTRICT*Exhibit K-2***NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)****For the Year Ended June 30, 2021****Note 4 - General Fund Expenditures**

Federal Awards reported in the general fund are summarized as follows:

SHARS	\$ 1,184,851
E-Rate	363,960
Summer School LEP (CFDA 84.369A)	8,703
Indirect Costs	101,740
	<u>\$ 1,659,254</u>

MANOR INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2021

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings." The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit's schedule of findings and questioned costs and
- All audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected.

I. Prior Audit Findings

Finding 2020-001 Internal Control over Financial reporting: Financial Close and Reporting Processes

Finding Type: Material Weakness in Control over Financial Reporting

Finding Summary: The District is required to maintain internal control procedures over financial reporting to provide a high level of assurance that the financial amounts are accurate, valid, and reported correctly through the Public Education Information Management System (PEIMS). Material adjusting journal entries were identified during the audit of the financial statements that were not previously identified or corrected in a timely manner by the District.

Current Status: The prior finding has been corrected.

Finding 2020-002 Internal Control over Financial Reporting: Policies and Procedures

Finding Type: Significant Deficiency in Control over Financial Reporting

Finding Summary: The District is required to maintain internal control procedures over financial reporting to provide a high level of assurance that the financial amounts are accurate and valid. (1) The Accounts Payable Specialist has the ability to change vendor address information and process payments without any second review or approval. (2) Payroll department employees have the ability to change pay rates and process payroll disbursements. (3) Individuals in the finance department have the ability to initiate, approve and post journal entries into the accounting system without a second review or approval.

Current Status: The prior finding has been corrected.

Finding 2020-003 Child Nutrition Cluster (ALN 10.553 and 10.555) - Program Income

Finding Type: Significant Deficiency in Internal Control Over Compliance

Finding Summary: The District is required to determine, record, and use program income in accordance with program requirements. The District had not designed or implemented formal controls for the receipt, deposit, and recording of Program Income related to the Child Nutrition Cluster program.

Current Status: The prior finding has been corrected.

MANOR INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (continued)
For the Year Ended June 30, 2021

Finding 2020-004 Child Nutrition Cluster (ALN 10.553 and 10.555) – Procurement

Finding Type: Significant Deficiency in Internal Control Over Compliance

Finding Summary: The District is required to maintain internal controls over compliance with procurement to provide a high level of assurance that the District is in compliance with grant provisions for federal funds received. The District entered into professional service contracts with various vendors which required formal competitive procurement, as these services were paid with federal funds passed through TEA from the U.S. Department of Education. The District should have conducted formal competitive procurement methods for Temporary Grounds, Custodial & Food Service Workers as these services exceeded \$50,000. In addition, there was one instance noted of an independent cost price analysis not being performed for the procurement of school cafeteria milk and juice supplies including summer school milk and juice supplies from Borden Inc., as these services amounted to greater than \$150,000.

Current Status: The prior finding has been corrected.

MANOR INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2021

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, "At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports."

Finding 2021-001 Internal Control over Financial Reporting: Financial Close

Response: We currently outsource the reconciliation of our bank accounts to a third party and the audit confirmed that these are being performed both in a timely manner and accurately. There are also many other accounts that are reconciled as part of the monthly financial close that have been routinely completed on time and accurately. MISD currently has multiple bonds in place and for each of those bonds, there are multiple projects in various stages of work or construction. Each bond maintains a separate code. Within each bond, each project maintains a separate code. Therefore, we maintain all of the data necessary and the audit noted the lack of easy access to collated data and the reporting challenge to present the data in an easily readable format.

As part of preparing for the audit, it became apparent that there is a need for a better-designed internal control and system for regularly reconciling the outstanding balance of funded commitments for our bonds. All of this activity is being accurately recorded in our accounting system (Skyward), but there is a need to create a simplified spreadsheet to track where we stand at the end of each month and at the end of each fiscal year.

Corrective Action Plan: MISD tracks all spending through our accounting system, however, the reporting module for this system does not provide summarized data in an easily readable format.

In the course of completing the annual audit, we created a spreadsheet that shows the opening balance, additions, and removals (completed projects) along with the outstanding unfunded commitments for each project. The corrective action to be taken will be to update the spreadsheet monthly in order to tie (reconcile) balances back to our accounting system so that we have a monthly snapshot. This should allow us to easily provide the data required for the annual audit or for any interested third party.

Responsible Party: Jeffrey Solomon, CFO

Implementation Date: October 31, 2021

MANOR INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN (continued)

For the Year Ended June 30, 2021

Finding 2021-002 Internal Control over Financial Reporting: Policies and Procedures

Response: The District has issued many purchasing credit cards to District personnel in order to facilitate the purchase of smaller items which require immediate payment. Requiring payment terms (such as Net 15) for some items may cause an unacceptable delay in the receipt of much-needed materials, supplies or other goods. The District has implemented a Purchasing Card (credit card) program that has an extensive policy with very specific rules. Beginning prior to the fiscal year, the impact of the COVID-19 pandemic was felt by the District and this continued throughout FY21. In the course of dealing with the effects of the pandemic, the District was required to quickly pivot on many fronts to address the change from in-person learning to online learning. One of these pivots was the need to provide technology to our scholars so that they could participate in online learning. The time required for this shift was short and, in a few cases, it resulted in employees who held purchasing cards making on-the-spot purchasing decisions in order to facilitate learning. In the cases uncovered during the audit, we acknowledge that District staff purchased electronic equipment that was out of compliance with District policy.

Corrective Action Plan: This problem was noted during the course of the year and we took action in the form of hiring an additional employee. As part of this employee's job duties are responsibility for reviewing all purchases and reconciling all of the credit card accounts for purchasing cards for the entire District. Additionally, throughout the year, we have continually reviewed and revised our purchasing policy. With respect to the issue noted, we have added language about obtaining prior approval if a purchase is required that is out of compliance with District policy. Additionally, a specific authorization form was created and added to the District policy.

Responsible Party: Jeffrey Solomon, CFO

Implementation Date: June 30, 2021

DO NOT BIND IN REPORT

Schedule L-1 – Required Responses to Selected School FIRST Indicators

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF3	<p>Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?</p> <p>(If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.</p> <p>Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.</p>	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$771,017

NOTE: This schedule is to be included as part of the annual financial audit report (AFR) submission on the required due date and published as a part of the school district's AFR. This schedule should be submitted in the data feed file and submitted as an Adobe Acrobat portable document file (pdf).