

**PORT NECHES-GROVES
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2021

Port Neches-Groves Independent School District
Annual Financial Report
For The Year Ended August 31, 2021

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Introductory Section

CERTIFICATE OF BOARD

Port Neches-Groves Independent School District
Name of School District

Jefferson
County

123-908
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2021, at a meeting of the board of trustees of such school district on the ____ day of _____, _____.

Signature of Board Secretary

Signature of Board President

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

Financial Section

WEST, DAVIS & COMPANY, LLP
11824 Jollyville Road, Suite 100
Austin, Texas 78759
www.westdavis.com / gary@westdavis.com

Independent Auditors' Report

To the Board of Trustees
Port Neches-Groves Independent School District
Port Neches, Texas

Report on the Audit of the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Port Neches-Groves Independent School District as of August 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and schedule of the District's proportionate share of the net OPEB liability and schedule of District OPEB contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Port Neches-Groves Independent School District's basic financial statements. The introductory section and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts 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* 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 accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The individual nonmajor fund financial statements and other supplementary information 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 individual nonmajor fund financial statements and other supplementary information 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.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2022 on our consideration of Port Neches-Groves Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Port Neches-Groves Independent School District's internal control over financial reporting and compliance.



West, Davis & Company, LLP
Austin, Texas
January 21, 2022

Port Neches-Groves Independent School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Port Neches-Groves Independent School District (the District), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2021. Please read it in conjunction with the independent auditors' report on page 2, and the District's Basic Financial Statements, which begin on page 11. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 11 and 12). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise. Fund financial statements (starting on page 13) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 24) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 11. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

In the Statement of Net Position and the Statement of Activities, we classify the District's activities as Governmental activities:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 13 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds—governmental and proprietary—use different accounting approaches.

- Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- Proprietary funds—The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service funds report activities that provide supplies and services for the District's other programs and activities—such as the District's self-insurance programs. The District, at present, maintains one internal service fund, the Workers' Compensation Insurance Fund.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 22 and 23. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities increased from \$29.6 million to \$32.9 million. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was a \$0.9 million at August 31, 2021. This was a result of the implementation of GASB 75. More information is presented in the paragraph following Table II on the next page.

Table I
Port Neches-Groves Independent School District

	NET POSITION	
	in thousands	
	Governmental Activities	
	2021	2020
Current and other assets	164,868	104,165
Capital assets	118,067	109,630
Total assets	<u>282,935</u>	<u>213,795</u>
Deferred Outflow Related to Pensions	5,091	6,609
Deferred Outflow Related to OPEB	4,528	5,017
Total Deferred Outflows	<u>9,619</u>	<u>11,626</u>
Long-term liabilities	234,811	178,903
Other liabilities	11,296	5,984
Total liabilities	<u>246,107</u>	<u>184,887</u>
Deferred Inflow Related to Pensions	2,397	2,469
Deferred Inflow Related to OPEB	11,162	8,422
Total Deferred Inflows	<u>13,559</u>	<u>10,891</u>
Net Position:		
Invested in capital assets, net of related debt	28,276	25,580
Restricted	3,726	4,064
Unrestricted	886	-1
Total Net Position	<u>32,888</u>	<u>29,643</u>

Table II
Port Neches-Groves Independent School District

CHANGES IN NET POSITION
in thousands

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	1,168	1,197
Operating grants and contributions	7,892	5,634
General revenues:		
Maintenance and operations taxes	26,632	27,589
Debt service taxes	9,213	7,752
State aid - formula grants	19,829	19,311
Investment Earnings	180	468
Miscellaneous	7,057	4,425
Total Revenues	<u>71,971</u>	<u>66,376</u>
Expenses:		
Instruction, curriculum and media services	37,898	35,371
Instructional and school leadership	2,999	3,087
Student support services	4,810	4,696
Child nutrition	2,643	2,618
Extracurricular activities	2,829	2,444
General administration	1,467	1,498
Plant maintenance and security	9,867	10,207
Data processing services	920	921
Community services	33	7
Debt services	4,900	3,549
Recapture payments	0	-13
Other Intergovernmental charges	360	313
Total Expenses	<u>68,726</u>	<u>64,698</u>
Change in Net Position	<u>3,245</u>	<u>1,678</u>

NET OTHER PENSION AND POST-EMPLOYMENT BENEFIT PLANS (OPEB) LIABILITY

The District's net OPEB liability at year end totaled \$13.6 million and the net Pension liability was \$12.7 million.

THE DISTRICT'S FUNDS

As the District completed this annual period, its governmental funds (as presented in the balance sheet on page 13) reported a combined fund balance of \$153 million, which is \$55.6 million more than last year's total of \$97.5 million. This was primarily a result of the issuance of \$62 million in building bonds and the expenditure of \$11 in capital projects.

Included in this year's total change in fund balance is an increase of \$1.8 million in the District's General Fund. Several factors contributed to the savings. Over the course of the year, the Board of Trustees revised the District's General Fund budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At year-end, the District had \$118 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. More detailed information about the District's capital assets is presented in Note D to the financial statements.

Debt

At year-end, the District had \$201 million in bonds outstanding versus \$144.5 million last year.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following assumptions were used in the development of the 2021-2022 budget:

- Enrollment was expected to remain stable, although attendance during the first part of school year 2021-2022 has increased in the upper grade levels.
- Taxable values for Maintenance & Operations increased by 8.09%, while the values for Interest & Sinking increased 24% (the result of a Chapter 313 construction project).
- The total tax rate increased by \$0.0332 for a total rate \$1.3759 / \$100 of taxable value. Maintenance & Operations tax rate decreased by \$0.0338, while Interest & Sinking increased by \$0.067 to cover payments for the 2019 Bond.
- State revenue was budgeted with the expectation for a reduction in funding of \$1.5 million.
- New federal funding, as a result of COVID-19 relief, is budgeted to supplant the operations budget by approximately \$2.3 million for both the 2021-2022 and 2022-2023 school years.

The Board of Trustees passed a balanced 2021-2022 budget which included a 6.0% raise for all employees. The increased cost for employee health insurance (\$195,000) was also funded. COVID-19 remains a factor in the 2021-2022 Budget, with average daily attendance down several percentage points, reducing anticipated state funding.

General fund balance is projected to be \$31 million at the end of the 2021-2022 school year, which is a historically high 7.4 months of operating expenditures. District policy states that a minimum of 3 months be maintained.

The District passed a \$130 million bond in November 2019 for the construction of four new Elementary schools. Construction on the two Intermediate Schools is expected to be well underway during the 2021-2022 school year. Occupancy in the new Intermediate Schools is planned to be completed for the 2022-2023 school year, and the new Primary Schools for the 2023-2024 school year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Manager at the Port Neches-Groves Independent School District, 620 Avenue C, Port Neches, Texas 77651.

Basic Financial Statements

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

AUGUST 31, 2021

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 3,423,915
1120	<i>Current Investments</i>	157,645,010
1225	<i>Property Taxes Receivable (Net)</i>	957,822
1240	<i>Due from Other Governments</i>	1,135,858
1250	<i>Accrued Interest</i>	13,727
1290	<i>Other Receivables (Net)</i>	293,600
1300	<i>Inventories</i>	69,186
1410	<i>Unrealized Expenses</i>	1,321,829
1490	<i>Other Current Assets</i>	7,000
Capital Assets:		
1510	<i>Land</i>	2,108,614
1520	<i>Buildings and Improvements, Net</i>	98,439,133
1530	<i>Furniture and Equipment, Net</i>	3,604,841
1580	<i>Construction in Progress</i>	12,967,421
1590	<i>Infrastructure, Net</i>	946,955
1000	Total Assets	<u>282,934,911</u>
DEFERRED OUTFLOWS OF RESOURCES:		
	<i>Deferred Outflow Related to Pensions</i>	5,090,654
	<i>Deferred Outflow Related to OPEB</i>	4,528,263
1700	Total Deferred Outflows of Resources	<u>9,618,917</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	3,367,286
2140	<i>Interest Payable</i>	958,413
2165	<i>Accrued Liabilities</i>	3,827,558
2180	<i>Due to Other Governments</i>	2,921,254
2300	<i>Unearned Revenue</i>	221,002
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	6,210,000
2502	<i>Due in More Than One Year</i>	202,372,114
2540	<i>Net Pension Liability</i>	12,673,876
2545	<i>Net OPEB Liability</i>	13,554,930
2000	Total Liabilities	<u>246,106,433</u>
DEFERRED INFLOWS OF RESOURCES:		
	<i>Deferred Inflow Related to Pensions</i>	2,397,367
	<i>Deferred Inflow Related to OPEB</i>	11,161,575
2600	Total Deferred Inflows of Resources	<u>13,558,942</u>
NET POSITION:		
3200	Net Investment in Capital Assets	28,276,146
Restricted For:		
3820	Federal and State Programs	56,586
3850	Debt Service	2,965,960
3870	Campus Activities	703,392
3900	Unrestricted	886,369
3000	Total Net Position	<u>\$ 32,888,453</u>

The accompanying notes are an integral part of this statement.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	<i>Instruction</i>	\$ 35,666,623	\$ 37,198	\$ 5,931,550	\$ (29,697,875)	
12	<i>Instructional Resources and Media Services</i>	758,499	--	--	(758,499)	
13	<i>Curriculum and Staff Development</i>	1,472,997	--	15,132	(1,457,865)	
21	<i>Instructional Leadership</i>	36,134	--	36,139	5	
23	<i>School Leadership</i>	2,962,603	--	24,480	(2,938,123)	
31	<i>Guidance, Counseling, and Evaluation Services</i>	2,190,934	--	143,077	(2,047,857)	
32	<i>Social Work Services</i>	78,240	--	--	(78,240)	
33	<i>Health Services</i>	813,406	--	--	(813,406)	
34	<i>Student Transportation</i>	1,727,219	--	14,643	(1,712,576)	
35	<i>Food Service</i>	2,642,551	750,569	1,693,780	(198,202)	
36	<i>Cocurricular/Extracurricular Activities</i>	2,828,748	195,911	--	(2,632,837)	
41	<i>General Administration</i>	1,466,937	--	--	(1,466,937)	
51	<i>Facilities Maintenance and Operations</i>	9,608,056	184,053	--	(9,424,003)	
52	<i>Security and Monitoring Services</i>	259,033	--	--	(259,033)	
53	<i>Data Processing Services</i>	919,470	--	--	(919,470)	
61	<i>Community Services</i>	33,988	--	33,235	(753)	
72	<i>Interest on Long-term Debt</i>	4,243,063	--	--	(4,243,063)	
73	<i>Bond Issuance Costs and Fees</i>	657,134	--	--	(657,134)	
95	<i>Payments to Juvenile Justice Alternative Ed. Programs</i>	36,000	--	--	(36,000)	
99	<i>Other Intergovernmental Charges</i>	324,382	--	--	(324,382)	
TG	Total Governmental Activities	<u>68,726,017</u>	<u>1,167,731</u>	<u>7,892,036</u>	<u>(59,666,250)</u>	
TP	Total Primary Government	<u>\$ 68,726,017</u>	<u>\$ 1,167,731</u>	<u>\$ 7,892,036</u>	<u>(59,666,250)</u>	
	General Revenues:					
MT	<i>Property Taxes, Levied for General Purposes</i>				26,631,600	
DT	<i>Property Taxes, Levied for Debt Service</i>				9,213,359	
IE	<i>Investment Earnings</i>				180,354	
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				19,829,434	
MI	<i>Miscellaneous</i>				7,056,797	
TR	Total General Revenues				<u>62,911,544</u>	
CN	Change in Net Position				<u>3,245,294</u>	
NB	Net Position - Beginning				<u>29,643,159</u>	
NE	Net Position - Ending				<u>\$ 32,888,453</u>	

The accompanying notes are an integral part of this statement.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund
ASSETS:		
1110	Cash and Cash Equivalents \$ 1,223,812	\$ 85,666
1120	Current Investments 35,709,322	2,885,214
1225	Taxes Receivable, Net 747,737	210,085
1240	Due from Other Governments 109,212	--
1250	Accrued Interest 13,727	--
1260	Due from Other Funds 311,299	--
1290	Other Receivables 262,828	10,194
1300	Inventories --	--
1410	Unrealized Expenditures 1,321,829	--
1490	Other Current Assets 7,000	--
1000	Total Assets <u>39,706,766</u>	<u>3,191,159</u>
LIABILITIES:		
Current Liabilities:		
2110	Accounts Payable \$ 1,247,460	\$ --
2120	Short-Term Debt Payable 17,950	--
2150	Payroll Deductions and Withholdings 618,604	--
2160	Accrued Wages Payable 2,632,503	--
2170	Due to Other Funds 143,936	--
2180	Due to Other Governments 2,912,876	8,378
2200	Accrued Expenditures 125,670	--
2300	Unearned Revenue 940,034	210,085
2000	Total Liabilities <u>8,639,033</u>	<u>218,463</u>
FUND BALANCES:		
Nonspendable Fund Balances:		
3410	Inventories --	--
3430	Prepaid Items 1,321,829	--
Restricted Fund Balances:		
3450	Federal/State Funds Grant Restrictions --	--
3470	Capital Acquisitions and Contractual Obligations --	--
3480	Retirement of Long-Term Debt --	2,972,696
3490	Other Restrictions of Fund Balance --	--
Assigned Fund Balances:		
3550	Construction 750,000	--
3600	Unassigned 28,995,904	--
3000	Total Fund Balances <u>31,067,733</u>	<u>2,972,696</u>
4000	Total Liabilities and Fund Balances <u>\$ 39,706,766</u>	<u>\$ 3,191,159</u>

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund Series 2020	Other Governmental Funds	98 Total Governmental Funds
\$ 1,442,126	\$ 186,861	\$ 2,938,465
118,959,106	91,368	157,645,010
--	--	957,822
--	1,026,646	1,135,858
--	--	13,727
--	--	311,299
--	20,578	293,600
--	69,186	69,186
--	--	1,321,829
--	--	7,000
<u>120,401,232</u>	<u>1,394,639</u>	<u>164,693,796</u>
\$ 2,021,354	\$ 98,244	\$ 3,367,058
--	--	17,950
--	37,330	655,934
--	252,852	2,885,355
165,595	145,704	455,235
--	--	2,921,254
--	--	125,670
--	28,704	1,178,823
<u>2,186,949</u>	<u>562,834</u>	<u>11,607,279</u>
--	69,186	69,186
--	--	1,321,829
--	56,586	56,586
118,214,283	2,641	118,216,924
--	--	2,972,696
--	703,392	703,392
--	--	750,000
--	--	28,995,904
<u>118,214,283</u>	<u>831,805</u>	<u>153,086,517</u>
<u>\$ 120,401,232</u>	<u>\$ 1,394,639</u>	<u>\$ 164,693,796</u>

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET

TO THE STATEMENT OF NET POSITION

AUGUST 31, 2021

Total fund balances - governmental funds balance sheet	\$ 153,086,517
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Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:

Capital assets used in governmental activities are not reported in the funds.	118,066,964
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	957,821
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	486,508
Payables for bond principal which are not due in the current period are not reported in the funds.	(201,490,001)
Payables for bond interest which are not due in the current period are not reported in the funds.	(958,413)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(574,372)
The accounting loss on the defeasance of bonds is not reported in the funds.	4,772,907
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(12,673,876)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(2,397,367)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	5,090,654
Bond premiums are amortized in the SNA but not in the funds.	(11,290,648)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(13,554,930)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(11,161,575)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	4,528,263
Rounding difference	<u>1</u>

Net position of governmental activities - Statement of Net Position	\$ <u>32,888,453</u>
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The accompanying notes are an integral part of this statement.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	10 <u>General Fund</u>	50 <u>Debt Service Fund</u>
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ 34,186,830	\$ 9,221,543
5800 <i>State Program Revenues</i>	18,770,123	172,098
5900 <i>Federal Program Revenues</i>	794,475	--
5020 Total Revenues	<u>53,751,428</u>	<u>9,393,641</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	27,791,926	--
0012 <i>Instructional Resources and Media Services</i>	664,101	--
0013 <i>Curriculum and Staff Development</i>	1,264,521	--
0021 <i>Instructional Leadership</i>	--	--
0023 <i>School Leadership</i>	2,517,063	--
0031 <i>Guidance, Counseling, and Evaluation Services</i>	1,749,330	--
0032 <i>Social Work Services</i>	65,742	--
0033 <i>Health Services</i>	707,767	--
0034 <i>Student Transportation</i>	1,714,670	--
0035 <i>Food Service</i>	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	4,726,467	--
0041 <i>General Administration</i>	1,262,207	--
0051 <i>Facilities Maintenance and Operations</i>	7,993,598	--
0052 <i>Security and Monitoring Services</i>	226,513	--
0053 <i>Data Processing Services</i>	855,742	--
0061 <i>Community Services</i>	--	--
0071 <i>Principal on Long-term Debt</i>	--	5,010,000
0072 <i>Interest on Long-term Debt</i>	--	4,733,892
0073 <i>Bond Issuance Costs and Fees</i>	--	1,525
0081 <i>Capital Outlay</i>	17,360	--
0095 <i>Payments to Juvenile Justice Alternative Education Programs</i>	36,000	--
0099 <i>Other Intergovernmental Charges</i>	324,382	--
6030 Total Expenditures	<u>51,917,389</u>	<u>9,745,417</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,834,039</u>	<u>(351,776)</u>
Other Financing Sources and (Uses):		
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	--	--
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	--
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>1,834,039</u>	<u>(351,776)</u>
0100 Fund Balances - Beginning	<u>29,233,694</u>	<u>3,324,472</u>
3000 Fund Balances - Ending	<u>\$ 31,067,733</u>	<u>\$ 2,972,696</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

60 Capital Projects Fund Series 2020	Other Governmental Funds	98 Total Governmental Funds
\$ 82,046	\$ 827,996	\$ 44,318,415
--	172,269	19,114,490
--	5,243,667	6,038,142
<u>82,046</u>	<u>6,243,932</u>	<u>69,471,047</u>
--	3,499,203	31,291,129
--	--	664,101
--	15,145	1,279,666
--	36,134	36,134
--	24,507	2,541,570
--	143,084	1,892,414
--	--	65,742
--	--	707,767
--	14,641	1,729,311
--	2,500,795	2,500,795
--	--	4,726,467
--	--	1,262,207
--	--	7,993,598
--	--	226,513
--	--	855,742
--	33,230	33,230
--	--	5,010,000
--	--	4,733,892
262,642	--	264,167
10,972,389	--	10,989,749
--	--	36,000
--	--	324,382
<u>11,235,031</u>	<u>6,266,739</u>	<u>79,164,576</u>
<u>(11,152,985)</u>	<u>(22,807)</u>	<u>(9,693,529)</u>
62,045,000	--	62,045,000
3,227,500	--	3,227,500
<u>65,272,500</u>	<u>--</u>	<u>65,272,500</u>
54,119,515	(22,807)	55,578,971
64,094,768	854,612	97,507,546
<u>\$ 118,214,283</u>	<u>\$ 831,805</u>	<u>\$ 153,086,517</u>

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds	\$ 55,578,971
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	13,974,584
The depreciation of capital assets used in governmental activities is not reported in the funds.	(4,699,869)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(837,882)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(24,784)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	5,010,000
(Increase) decrease in accrued interest from beginning of period to end of period.	(304,875)
The net revenue (expense) of internal service funds is reported with governmental activities.	141,904
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(18,875)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(62,045,000)
Bond premiums are reported in the funds but not in the SOA.	(2,431,796)
The accounting loss on the defeasance of bonds is amortized in the SOA but not in the funds.	(392,967)
GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows.	(976,275)
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	1,070,613
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	(1,187,484)
GASB 75 required certain expenditures to be de-expended and recorded as deferred resource outflows.	(2,252,891)
OPEB contributions made after the measurement date but in current FY were de-expended & reduced NPL.	2,148,936
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	492,983
Rounding difference	<u>1</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 3,245,294</u>

The accompanying notes are an integral part of this statement.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
AUGUST 31, 2021

Data Control Codes		Nonmajor Internal Service Fund <u>Workers' Compensation Insurance Fund</u>
ASSETS:		
	Current Assets:	
1110	<i>Cash and Cash Equivalents</i>	\$ 485,450
	<i>Receivables:</i>	
1260	<i>Due from Other Funds</i>	<u>143,936</u>
	Total Current Assets	<u>629,386</u>
1000	Total Assets	<u>629,386</u>
LIABILITIES:		
	Current Liabilities:	
2110	<i>Accounts Payable</i>	\$ 229
2200	<i>Accrued Expenses</i>	<u>142,649</u>
	Total Current Liabilities	<u>142,878</u>
2000	Total Liabilities	<u>142,878</u>
NET POSITION:		
3900	<i>Unrestricted</i>	486,508
3000	Total Net Position	<u>\$ 486,508</u>

The accompanying notes are an integral part of this statement.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION - INTERNAL SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes		Nonmajor Internal Service Fund <u>Workers' Compensation Insurance Fund</u>
	OPERATING REVENUES:	
5700	<i>Local and Intermediate Sources</i>	\$ 457,765
5020	Total Revenues	<u>457,765</u>
	OPERATING EXPENSES:	
6400	<i>Other Operating Costs</i>	<u>315,861</u>
6030	Total Expenses	<u>315,861</u>
1300	Change in Net Position	141,904
0100	Total Net Position - Beginning	344,604
3300	Total Net Position - Ending	<u>\$ 486,508</u>

The accompanying notes are an integral part of this statement.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2021

	Nonmajor Internal Service Fund <u>Workers' Compensation Insurance Fund</u>
Cash Flows from Operating Activities:	
<i>Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds</i>	\$ 527,311
<i>Cash Payments to Suppliers for Services</i>	<u>(213,721)</u>
Net Cash Provided (Used) by Operating Activities	<u>313,590</u>
Net Increase (Decrease) in Cash and Cash Equivalents	313,590
Cash and Cash Equivalents at Beginning of Year	<u>171,860</u>
Cash and Cash Equivalents at End of Year	<u>\$ 485,450</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 141,904
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
<i>Depreciation</i>	--
<i>Provision for Uncollectible Accounts</i>	--
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Due to/from Other Funds</i>	--
<i>Decrease (Increase) in Other Receivables</i>	69,546
<i>Increase (Decrease) in Accounts Payable</i>	229
<i>Increase (Decrease) in Accrued Expenses</i>	<u>101,911</u>
Total Adjustments	<u>171,686</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 313,590</u>

The accompanying notes are an integral part of this statement.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2021

Data Control Codes	Bequests	Custodial Fund
	<u>Bequests</u>	<u>Student Activity</u>
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ --	\$ 67,014
1800 <i>Restricted Assets</i>	<u>22,026</u>	<u>--</u>
1000 <i>Total Assets</i>	<u>22,026</u>	<u>67,014</u>
LIABILITIES:		
2000 <i>Total Liabilities</i>	<u>--</u>	<u>--</u>
NET POSITION:		
3800 <i>Held in Trust</i>	\$ 22,026	\$ --
3800 <i>Restricted for Other Purposes</i>	<u>--</u>	<u>67,014</u>
3000 <i>Total Net Position</i>	<u>\$ 22,026</u>	<u>\$ 67,014</u>

The accompanying notes are an integral part of this statement.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT*STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**FIDUCIARY FUNDS**FOR THE YEAR ENDED AUGUST 31, 2021*

	Private-purpose Trust Fund	Custodial Fund Student Activity
	<u> </u>	<u> </u>
Additions:		
Bequests	\$ --	\$ --
Student fundraising activities		114,109
Total Additions	<u> </u> --	<u> </u> 114,109
Deductions:		
Athletic Facilities Improvements	--	--
Cocurricular/Extracurricular Activities		47,095
Total Deductions	<u> </u> --	<u> </u> 47,095
Change in Net Assets	--	67,014
Net Position-Beginning of the Year	<u> </u> 22,026	<u> </u> --
Net Position-End of the Year	<u> </u> \$ 22,026	<u> </u> \$ 67,014

The accompanying notes are an integral part of this statement.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2021

A. Summary of Significant Accounting Policies

The basic financial statements of Port Neches-Groves Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2021

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund: This fund accounts for the tax levies assessed to pay bond principal and interest as it becomes due. A dedicated interest and sinking fund ad valorem tax rate is set each year.

Capital Projects Fund Series 2020: This fund accounts for the proceeds from tax payor authorized capital building projects and the expenditures associated with those approved projects.

In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund ty

Custodial Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Custodial funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. **Measurement Focus, Basis of Accounting**

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2021

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2021

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

f. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

g. Compensated Absences

On retirement or death of certain employees, the District pays any accrued sick leave in a lump sum payment to such employee or his/her estate. Individuals employed after October 1, 1985 are not eligible to receive the lump sum payments.

h. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

i. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

j. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2021

k. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

l. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

m. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2021

4. 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.

5. 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.

6. Implementation of New Standards

GASB Statement No. 84, Fiduciary Activities

This statement establishes standards of accounting and financial reporting by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and 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.

GASB Statement No. 90, Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This Statement also establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

GASB Statement No. 92, Omnibus 2020

Although the effective date for the majority of GASB Statement No. 92, Omnibus 2020 has been postponed by GASB Statement No. 95 for one year, the District has adopted paragraph 11 of Statement 92 with respect to reinsurance recoveries. Paragraph 11 states that "amounts that (a) are recoverable from reinsurers or excess insurers and (b) relate to paid claims and claim adjustment expenses may be reported as reductions of expenses but are not required to be. The District has also adopted paragraph 13 of Statement 92 in regards to changing all uses of the terms *derivative* and *derivatives* in existing standards to *derivative instrument* and *derivative instruments*, respectively. The provisions in paragraphs 11 and 13 were excluded from the scope of Statement 95 because paragraph 11 retains the reporting option, and thus only clarifies that an option exists, and paragraph 13 imposes no burden on the District. As such, this statement does not impact the District.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2021

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84*, and a Supersession of GASB Statement No. 32.

The District has adopted paragraphs 4 and 5 of GASB Statement No. 92. Paragraph 4 states that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), if the primary government performs the duties that a governing board typically would perform, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board. Paragraph 5 states that the financial burden criterion in paragraph 7 of Statement 84 is applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. The requirements in paragraphs 6 - 9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2021, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,423,915 and the bank balance was \$2,997,451. The District's cash deposits at August 31, 2021 and during the year ended August 31, 2021, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2021

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at August 31, 2021 are shown below.

Investment or Investment Type	Rating	Maturity 1-5 years	Maturity 5-10 years	Fair Value	
None		N/A		\$ --	
Cash and Equivalents	N/A	\$ N/A	N/A	238,606	** 0.15%
Certificates of Deposit	N/A	N/A	N/A	392,349	0.25%
Public Funds Money Market	N/A	N/A	N/A	10,024,850	** 6.36%
Lone Star Investment Pool	AAA _m	***		46,856,085	* 29.72%
Municipal/Local Government:					
US Treasury Note	N/A	448,594	--	448,594	0.28%
Federal Home Loan	N/A	435,254	--	435,254	0.28%
Federal Farm CR Bonds	N/A	554,019	--	554,019	0.35%
Modesto CA IRR	A+	30,109	--	30,109	0.02%
Lake City IL W/S	Aa2	20,069	--	20,069	0.01%
Dallas TX GO	AA-	127,778	--	127,778	0.08%
Scottsdale AZ M	AAA	350,088	--	350,088	0.22%
Salinas Vly CA SW RV	AA	155,657	--	155,657	0.10%
King ETC CN WA	AA+	150,356	--	150,356	0.10%
Pueblo CNtY CO	AA	255,043	--	255,043	0.16%
Connecticut ST	AAA	379,867	--	379,867	0.24%
Texas A&M Univ REV	AAA	232,677	--	232,677	0.15%
Florida ST BOARD	AAA	380,988	--	380,988	0.24%
Winston-Salem NC LTD	AA+	52,657	--	52,657	0.03%
Marble Falls Tx	AA	63,239	--	63,239	0.04%
Newport News VA	AA+	400,600	--	400,600	0.25%
Eastern IO CCD JO	Aa1	168,391	--	168,391	0.11%
Florida ST BOARD	AAA	380,509	--	380,509	0.24%
New York NY Cty Trans	AAA	79,905	--	79,905	0.05%
Akron OH GO	A+	36,703	--	36,703	0.02%
Dorchester CNTY GO	AA-	250,795	--	250,795	0.16%
Emeryville CA	AA	218,612	--	218,612	0.14%
US Treasury Note	N/A	5,000,781	--	5,000,781	3.17%
US Treasury Note	N/A	5,000,000	--	5,000,000	3.17%
US Treasury Note	N/A	2,999,063	--	2,999,063	1.90%

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2021

California Ed	A1	5,001,500	--	5,001,500	3.17%
El Paso TX W/S	AA+	500,290	--	500,290	0.32%
Waterford MI SD	AA	358,950	--	358,950	0.23%
Huntington Beach GP	AA+	1,000,040	--	1,000,040	0.63%
Apache County A	AA	781,061	--	781,061	0.50%
El Paso TX W/S	AA+	501,065	--	501,065	0.32%
Commercial Paper:					
Korea Developme	A-1+	4,999,990	--	4,999,990	3.17%
Exxon Mobil Corp	A-1+	4,999,570	--	4,999,570	3.17%
Natixis NY	A-1	5,000,000	--	5,000,000	3.17%
Lloyds Bank	A-1	2,369,436	--	2,369,436	1.50%
Deutsche Bank	A-1	2,999,391	--	2,999,391	1.90%
Credit Agricole	A-1	4,999,050	--	4,999,050	3.17%
Bayerische Lande	A-1	4,998,300	--	4,998,300	3.17%
Mountcliff Fundin	A-1	2,997,378	--	2,997,378	1.90%
Korea Developme	A-1+	4,996,620	--	4,996,620	3.17%
DNB Bank ASA	A-1+	3,996,436	--	3,996,436	2.54%
Lloyds Bank	A-1	2,997,048	--	2,997,048	1.90%
Swedbank AB	A-1	3,496,588	--	3,496,588	2.22%
Cooperative Rabo	A-1	2,996,382	--	2,996,382	1.90%
Lloyds Bank	A-1	2,197,259	--	2,197,259	1.39%
Banco Santander	A-1	4,793,146	--	4,793,146	3.04%
Alberta Province	A-1	3,994,700	--	3,994,700	2.53%
United Overseas	A-1+	3,995,472	--	3,995,472	2.53%
Natl Bk of Canada	A-1	3,993,776	--	3,993,776	2.53%
Total Investments				<u>\$ 157,645,010</u>	<u>100.00%</u>

* Not all assets meeting the definition of an investment are required to be reported at fair value. Included among excepted investments are certain investments held by 2a7-like external investment pools. As detailed above, the District has invested funds in specific 2a7-like external investment pools that are valued at amortized cost and not subject to the fair value hierarchy levels.

** Certificates of deposits ("CD's") and time deposits at FDIC insured banks are not subject to the fair value hierarchy levels.

*** Maturity 54 days, this weighted average maturity calculation uses the industry standard definition of stated maturity for floating rate instruments, the number of days until the next reset date.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2021

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At August 31, 2021, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2021

safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

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

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,108,614	\$ --	\$ --	\$ 2,108,614
Construction in progress	1,015,864	12,015,545	63,988	12,967,421
Total capital assets not being depreciated	<u>3,124,478</u>	<u>12,015,545</u>	<u>63,988</u>	<u>15,076,035</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	166,917,447	17,328	3,254,237	163,680,538
Infrastructure	1,840,663	--	--	1,840,663
Furniture and equipment	7,407,296	1,539,874	783,780	8,163,390
Vehicles	4,942,387	244,838	--	5,187,225
Total capital assets being depreciated	<u>181,107,793</u>	<u>1,802,040</u>	<u>4,038,017</u>	<u>178,871,816</u>
Less accumulated depreciation for:				
Buildings and improvements	(63,743,717)	(3,978,031)	(2,480,343)	(65,241,405)
Infrastructure	(712,796)	(180,912)	--	(893,708)
Furniture and equipment	(6,705,640)	(306,943)	(783,780)	(6,228,803)
Vehicles	(3,282,988)	(233,983)	--	(3,516,971)
Total accumulated depreciation	<u>(74,445,141)</u>	<u>(4,699,869)</u>	<u>(3,264,123)</u>	<u>(75,880,887)</u>
Total capital assets being depreciated	<u>106,662,652</u>	<u>(2,897,829)</u>	<u>773,894</u>	<u>102,990,929</u>
Governmental activities capital assets, net	<u>\$ 109,787,130</u>	<u>\$ 9,117,716</u>	<u>\$ 837,882</u>	<u>\$ 118,066,964</u>

Depreciation was charged to functions as follows:

Instruction	\$ 2,454,636
Instructional Resources and Media Services	60,829
Curriculum and Staff Development	115,144
School Leadership	222,557
Guidance, Counseling, & Evaluation Services	154,005
Social Work Services	6,292
Health Services	63,387
Student Transportation	170,055
Extracurricular Activities	474,359
General Administration	124,884
Plant Maintenance and Operations	746,559
Security and Monitoring Services	30,721
Data Processing Services	76,441
	<u>\$ 4,699,869</u>

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2021

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2021, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Project Fund	\$ 165,595	Temporary advances
General Fund	Other Governmental Funds	145,704	Temporary advances
Nonmajor Internal Service Fund	General Fund	143,936	Temporary advances
	Total	<u>\$ 455,235</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2021, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
-----------------------	---------------------	---------------	---------------

None.

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2021, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 144,455,000	\$ 62,045,000	\$ 5,010,000	\$ 201,490,000	\$ 6,210,000
Accounting loss on refunding	(5,165,874)	--	(392,967)	(4,772,907)	--
Premium on bonds	8,858,852	3,227,500	795,704	11,290,648	--
Compensated absences *	555,498	18,875	--	574,373	--
	<u>148,703,476</u>	<u>65,291,375</u>	<u>5,412,737</u>	<u>208,582,114</u>	<u>6,210,000</u>
Net Pension Liability *	13,027,087	623,166	976,377	12,673,876	--
Net OPEB Liability *	17,172,611	(3,346,661)	271,020	13,554,930	--
Total governmental activities	<u>\$ 178,903,174</u>	<u>\$ 62,567,880</u>	<u>\$ 6,660,134</u>	<u>\$ 234,810,920</u>	<u>\$ 6,210,000</u>
				\$ 6,210,000	
				202,372,114	
				<u>\$ 208,582,114</u>	

* Other long-term liabilities

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021*

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated absences	Governmental	General
Net OPEB Liability *	Governmental	General
Net Pension Liability *	Governmental	General

<u>Date of Issue</u>	<u>Issue</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Debt Principal</u>	<u>Unspent</u>
10/1/13	Series 2013	2.75 to 5.0	7,415,000	2/15/2032	\$ 5,275,000	\$ --
6/1/14	Series 2014	2.0 to 4.0	9,034,996	2/15/2032	4,100,000	--
6/1/15	Series 2015	2.25 to 4.0	9,015,000	2/15/2033	6,905,000	--
1/1/16	Series 2016	3.0 to 4.0	38,055,000	2/15/2033	30,620,000	--
7/1/16	Series 2016A	3.0 to 5.0	32,360,000	2/15/2034	28,620,000	--
5/1/20	Series 2020	2.0 to 5.0	64,225,000	2/15/2045	63,925,000	--
5/1/20	Series 2021	2.0 to 5.0	62,045,000	2/1/2045	62,045,000	64,095,000
					<u>\$ 201,490,000</u>	<u>\$ 64,095,000</u>

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2021, are as follows:

<u>Year Ending August 31,</u>	<u>Governmental Activities</u>		
	<u>Notes from Direct Borrowings</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 6,210,000	\$ 6,460,482	\$ 12,670,482
2023	7,965,000	5,892,349	13,857,349
2024	8,030,000	5,535,774	13,565,774
2025	8,110,000	5,183,161	13,293,161
2026	8,200,000	4,823,230	13,023,230
2027-2031	43,030,000	19,036,734	62,066,734
2032-2036	43,660,000	12,171,400	55,831,400
2037-2041	41,190,000	6,792,256	47,982,256
2042-2046	35,095,000	1,933,328	37,028,328
Totals	<u>\$ 201,490,000</u>	<u>\$ 67,828,714</u>	<u>\$ 269,318,714</u>

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2021, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

<u>Bond Issue</u>	<u>Amount</u>
Series 2007	\$ 10,355,000
Series 2008	40,755,000
Series 2009	32,120,000
Total	<u>\$ 83,230,000</u>

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2021

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2021, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Pension Plan

1. 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.

2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) 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, selecting About TRS or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

3. 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 in (1) 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 are determined by the System's actuary.

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In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for the 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.

4. 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 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent 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	
	2020	2021
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
District's 2021 Employer Contributions	\$ 1,070,613	
District's 2021 Member Contributions	\$ 2,643,907	
2020 NECE On-Behalf Contributions (state)	\$ 1,943,552	

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 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees.

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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.

5. 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%
Municipal Bond Rate as of August 2020	2.33%
Last year ending August 31 in Projection Period	2119
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Ad hoc post-employment benefit changes	None

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

6. Discount Rate

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

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

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

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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	Target Allocation *	Long-Term Expected Arithmetic Real Rate of Return **	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	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)%
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%
Risk Parity			
Risk Parity	8.00%	3.00%	0.30%
Leverage			
Cash	2.00%	1.50%	(0.03)%
Asset Allocation Leverage	(6.00%)	1.30%	0.08%
Inflation Expectation			2.00%
Volatility Drag ***	-		(0.67)%
Total	100.0%		7.33%

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

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
District's proportionate share of the net pension liability:	\$ 19,542,891	\$ 12,673,876	\$ 7,092,953

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

At August 31, 2021, the District reported a liability of \$12,673,876 for its proportionate share of the TRS 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	\$ 12,673,876
State's proportionate share that is associated with District	<u>25,228,353</u>
Total	<u>\$ 37,902,229</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 employer's proportion of the collective net pension liability was 0.0236638521 percent which was an increase (decrease) of (0.0013963707) percent from its proportion measured as of August 31, 2019.

9. Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2021, the District recognized pension expense of \$5,198,170 and revenue of \$3,034,411 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 23,141	\$ 353,694
Changes in actuarial assumptions	2,940,790	1,250,404
Difference between projected and actual investment earnings	256,572	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	<u>799,538</u>	<u>793,269</u>
Total as of August 31, 2020 measurement date	4,020,041	2,397,367
Contributions paid to TRS subsequent to the measurement date	<u>1,070,613</u>	<u>--</u>
Total	<u>\$ 5,090,654</u>	<u>\$ 2,397,367</u>

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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:

Year ended August 31,	Pension Expense Amount
2022	\$ 655,567
2023	\$ 636,546
2024	\$ 543,126
2025	\$ 62,075
2026	\$ (243,008)
Thereafter	\$ (31,632)

I. Defined Other Post-Employment Benefit Plans

1. 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 with 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.

2. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2020.pdf, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698.

3. Benefits Provided

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

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

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

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

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4. 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	
	Rate
Active Employee	0.65%
Non-Employer Contributing Entity (State)	1.25%
Employers	0.75%
Federal/Private Funding *	1.25%
Total	
* Contributions paid from federal funds and private grants are remitted by the employer and paid at the State rate.	

District's 2021 Employer Contributions	\$ 2,148,936
District's 2021 Member Contributions	\$ 1,287,585
2020 NECE On-Behalf Contributions (state)	\$ 364,181

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether they participate in the TRS Care OPEB Program*). When hiring a TRS retiree, employers are required to pay 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.

5. 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:

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

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respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

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

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Healthcare Trend Rates	4.50% to 4.25%
Election Rates	Normal Retirement: 65% participation prior to age 65 and 45% participation after age 65.
Ad Hoc Post-Employment Benefit Changes	None

6. Discount Rate

A single discount rate of 2.33 percent was used to measure the total OPEB liability. This 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 non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to **not be able** to make all future benefit payments of current plan members. Therefore, the municipal bond rate was 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.

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7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District's proportionate share of net OPEB liability	\$ 16,265,885	\$ 13,554,930	\$ 11,413,665

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

At August 31, 2021, the District reported a liability of \$13,554,930 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	\$ 13,554,930
State's proportionate share that is associated with the District	\$ <u>18,214,577</u>
Total	\$ <u>31,769,507</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 OPEB relative to the contributions of all employers to the plan for the period September 1, 2019 thru August 31, 2020.

At August 31, 2021 the District's proportion of the collective net OPEB liability was 0.0356572482, compared to 0.0250602228 as of August 31, 2019.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1 percent less than and 1 percent greater than the health trend rates assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of net OPEB liability	\$ 11,072,641	\$ 13,554,930	\$ 16,860,988

9. 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 was 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 the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

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Changes of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

The amount of OPEB expense recognized by the District in the reporting period was \$1,759,908.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 709,731	\$ 6,203,429
Changes in actuarial assumptions	836,057	3,722,254
Differences between projected and actual investment earnings	4,404	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	<u>829,135</u>	<u>1,235,892</u>
Total as of August 31, 2020 measurement date	2,379,327	11,161,575
Contributions paid to TRS subsequent to the measurement date	<u>2,148,936</u>	
Total	<u>\$ 4,528,263</u>	<u>\$ 11,161,575</u>

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:

Year ended August 31,	OPEB Expense Amount
2022	\$ (1,427,292)
2023	\$ (1,427,881)
2024	\$ (1,428,217)
2025	\$ (1,428,125)
2026	\$ (1,066,070)
Thereafter	\$ (2,004,663)

For the year ended August 31, 2021, the District recognized OPEB expense of \$1,759,908 and revenue of \$(126,475) for support provided by the State.

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2021, the subsidy payment received by TRS-Care on behalf of the District was \$153,223.

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J. Employee Health Care Coverage

During the current fiscal year, employees of the District were covered by a statewide health insurance plan, TRS Active Care. The District paid premiums of \$4,764 per year per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. The Teacher Retirement System of Texas (TRS) manages TRS Active Care. Administration is provided by Blue Cross Blue Shield.

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2021.

L. Tax Abatements

The District's Board of Trustees approved several Agreements with multiple companies for Limitations 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. Each company 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 Texas Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

In order to qualify for a value limitation agreement, each applicant 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, each of the agreements were deemed to have done so by both the District's Board of Trustees and the Texas Comptroller's Office, which recommended approval of the projects. The applications, agreements, and requisite state reporting documentation can be viewed at the Texas Comptroller's website:

<https://www.comptroller.texas.gov/economy/local/ch313/agreement-docs.php>

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.

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In the event that an entity 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.

Following is the information relating to the agreements at year-end.

Project: Huntsman Petrochemical LLC (Agreement #267)

First Year Value Limitation: 2016

Fiscal Year: 2021/Tax Year 2020

(A)	(B)	(C)	(D)	(E)	(F)	(G)
Project Value	Project's Value Limitation Amount	Amount of Applicant's M&O Taxes Paid	Amount of Applicant's M&O Taxes Reduced	Company Revenue Loss Paymt to School District	Company Supplemental Payment To School District	Net Benefit (Loss) to the School District (C+E+F)
<u>\$116,161,300</u>	<u>\$30,000,000</u>	<u>\$316,410</u>	<u>\$908,743</u>	<u>--</u>	<u>\$363,494</u>	<u>\$679,904</u>

Project: Air Liquide Large Industries U.S., LP (Agreement #354)

First Year Value Limitation: 2017

Fiscal Year: 2021/Tax Year 2020

(A)	(B)	(C)	(D)	(E)	(F)	(G)
Project Value	Project's Value Limitation Amount	Amount of Applicant's M&O Taxes Paid	Amount of Applicant's M&O Taxes Reduced	Company Revenue Loss Paymt to School District	Company Supplemental Payment To School District	Net Benefit (Loss) to the School District (C+E+F)
<u>\$127,578,000</u>	<u>\$30,000,000</u>	<u>\$316,410</u>	<u>\$1,029,155</u>	<u>--</u>	<u>\$451,290</u>	<u>\$767,700</u>

Project: Bayport Polymers LLC (Agreement #1029)

First Year Value Limitation: 2017

Fiscal Year: 2021/Tax Year 2020

(A)	(B)	(C)	(D)	(E)	(F)	(G)
Project Value	Project's Value Limitation Amount	Amount of Applicant's M&O Taxes Paid	Amount of Applicant's M&O Taxes Reduced	Company Revenue Loss Paymt to School District	Company Supplemental Payment To School District	Net Benefit (Loss) to the School District (C+E+F)
<u>\$520,975,000</u>	<u>\$30,000,000</u>	<u>\$316,410</u>	<u>\$5,178,313</u>	<u>\$5,178,313</u>	<u>--</u>	<u>\$5,494,723</u>

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

GENERAL FUND

Page 1 of 2

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	1		2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			Actual	
	Original	Final			
REVENUES:					
5700	<i>Local and Intermediate Sources</i>	\$ 29,705,277	\$ 34,934,770	\$ 34,186,830	\$ (747,940)
5800	<i>State Program Revenues</i>	20,897,666	19,475,383	18,770,123	(705,260)
5900	<i>Federal Program Revenues</i>	515,000	651,260	794,475	143,215
5020	Total Revenues	<u>51,117,943</u>	<u>55,061,413</u>	<u>53,751,428</u>	<u>(1,309,985)</u>
EXPENDITURES:					
Current:					
Instruction and Instructional Related Services:					
0011	<i>Instruction</i>	28,213,561	27,979,761	27,791,926	187,835
0012	<i>Instructional Resources and Media Services</i>	683,379	693,379	664,101	29,278
0013	<i>Curriculum and Staff Development</i>	1,297,500	1,312,500	1,264,521	47,979
	Total Instruction and Instr. Related Services	<u>30,194,440</u>	<u>29,985,640</u>	<u>29,720,548</u>	<u>265,092</u>
Instructional and School Leadership:					
0023	<i>School Leadership</i>	2,521,871	2,536,871	2,517,063	19,808
	Total Instructional and School Leadership	<u>2,521,871</u>	<u>2,536,871</u>	<u>2,517,063</u>	<u>19,808</u>
Support Services - Student (Pupil):					
0031	<i>Guidance, Counseling and Evaluation Services</i>	1,745,463	1,755,463	1,749,330	6,133
0032	<i>Social Work Services</i>	71,725	71,725	65,742	5,983
0033	<i>Health Services</i>	692,532	722,532	707,767	14,765
0034	<i>Student (Pupil) Transportation</i>	1,403,336	1,938,417	1,714,670	223,747
0036	<i>Cocurricular/Extracurricular Activities</i>	2,457,309	5,407,098	4,726,467	680,631
	Total Support Services - Student (Pupil)	<u>6,370,365</u>	<u>9,895,235</u>	<u>8,963,976</u>	<u>931,259</u>
Administrative Support Services:					
0041	<i>General Administration</i>	1,415,519	1,423,519	1,262,207	161,312
	Total Administrative Support Services	<u>1,415,519</u>	<u>1,423,519</u>	<u>1,262,207</u>	<u>161,312</u>
Support Services - Nonstudent Based:					
0051	<i>Plant Maintenance and Operations</i>	8,525,001	8,509,841	7,993,598	516,243
0052	<i>Security and Monitoring Services</i>	325,180	350,180	226,513	123,667
0053	<i>Data Processing Services</i>	866,333	871,333	855,742	15,591
	Total Support Services - Nonstudent Based	<u>9,716,514</u>	<u>9,731,354</u>	<u>9,075,853</u>	<u>655,501</u>
Capital Outlay:					
0081	<i>Capital Outlay</i>	450,000	450,000	17,360	432,640
	Total Capital Outlay	<u>450,000</u>	<u>450,000</u>	<u>17,360</u>	<u>432,640</u>
Intergovernmental Charges:					
0095	<i>Payments to Juvenile Justice Alternative</i>				
0095	<i>Education Programs</i>	36,000	36,000	36,000	--
0099	<i>Other Intergovernmental Charges</i>	400,000	400,000	324,382	75,618
	Total Intergovernmental Charges	<u>436,000</u>	<u>436,000</u>	<u>360,382</u>	<u>75,618</u>
6030	Total Expenditures	<u>51,104,709</u>	<u>54,458,619</u>	<u>51,917,389</u>	<u>2,541,230</u>

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

GENERAL FUND

Page 2 of 2

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	1		2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			Actual	
	Original	Final			
1100 Excess (Deficiency) of Revenues Over (Under)					
1100 Expenditures	<u>13,234</u>	<u>602,794</u>		<u>1,834,039</u>	<u>1,231,245</u>
Other Financing Sources (Uses):					
8911 Transfers Out	<u>--</u>	<u>(400,000)</u>		<u>--</u>	<u>400,000</u>
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>(400,000)</u>		<u>--</u>	<u>400,000</u>
1200 Net Change in Fund Balance	<u>13,234</u>	<u>202,794</u>		<u>1,834,039</u>	<u>1,631,245</u>
0100 Fund Balance - Beginning	<u>29,233,694</u>	<u>29,233,694</u>		<u>29,233,694</u>	<u>--</u>
3000 Fund Balance - Ending	<u>\$ 29,246,928</u>	<u>\$ 29,436,488</u>		<u>\$ 31,067,733</u>	<u>\$ 1,631,245</u>

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS **

	Measurement Period Ended August 31,				
	2020	2019	2018	2017	2016
District's proportion of the net pension liability (asset)	0.023663852%	0.025060223%	0.026145122%	0.025592201%	0.024362300%
District's proportionate share of the net pension liability (asset)	\$ 12,673,876	\$ 13,027,087	\$ 14,390,909	\$ 8,183,007	\$ 9,206,140
State's proportionate share of the net pension liability (asset) associated with the District	25,228,353	23,576,237	26,767,363	16,320,177	19,557,138
Total	\$ 37,902,229	\$ 36,603,324	\$ 41,158,272	\$ 24,503,184	\$ 28,763,278
District's covered-employee payroll	\$ 33,515,164	\$ 30,700,504	\$ 31,508,910	\$ 31,113,436	\$ 29,728,222
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	37.82%	42.43%	45.67%	26.30%	30.97%
Plan fiduciary net position as a percentage of the total pension liability	75.54%	75.24%	73.74%	82.17%	78.00%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

Measurement Period Ended August 31,					
2015	2014	2013	2012	2011	
0.024523300%	*****	--	--	--	
\$ 8,668,660	\$ 3,463,718	\$ --	\$ --	\$ --	
18,673,867	16,118,283	--	--	--	
<u>\$ 27,342,527</u>	<u>\$ 19,582,001</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	
\$ 28,227,303	\$ 27,053,033	\$ --	\$ --	\$ --	
30.71%	12.80%	--	--	--	
78.43%	83.25%	--	--	--	

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS **

	Fiscal Year				
	2021	2020	2019	2018	2017
Contractually required contribution	\$ 1,070,613	\$ 976,275	\$ 873,522	\$ 875,297	\$ 850,198
Contributions in relation to the contractually required contribution	(1,070,613)	(976,275)	(873,522)	(875,297)	(850,198)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 34,344,338	\$ 33,515,164	\$ 30,700,504	\$ 31,508,910	\$ 31,113,436
Contributions as a percentage of covered-employee payroll	3.12%	2.91%	2.85%	2.78%	2.73%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

EXHIBIT G-3

		Fiscal Year					
		2016	2015	2014	2013	2012	
\$	788,279	\$	726,146	\$	--	\$	--
	(788,279)		(726,146)		--		--
\$	<u>--</u>	\$	<u>--</u>	\$	<u>--</u>	\$	<u>--</u>
\$	29,728,222	\$	28,227,303	\$	--	\$	--
	2.65%		2.57%		--		--

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS **

	Measurement Year Ended August 31,				
	2020	2019	2018	2017	2016
District's proportion of the collective net OPEB liability	0.356572482%	0.363124671%	0.381064444%	0.360930173%	--
District's proportionate share of the collective net OPEB liability	\$ 13,554,930	\$ 17,172,611	\$ 19,026,897	\$ 15,695,499	--
State proportionate share of the collective net OPEB liability associated with the District	\$ 18,214,577	\$ 22,818,558	\$ 26,775,012	\$ 24,594,347	--
Total	<u>\$ 31,769,507</u>	<u>\$ 39,991,169</u>	<u>\$ 45,801,909</u>	<u>\$ 40,289,846</u>	<u>--</u>
District's covered-employee payroll	\$ 33,515,164	\$ 30,700,504	\$ 31,508,910	\$ 31,113,436	--
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	40.44%	55.94%	60.39%	50.45%	--
Plan fiduciary net position as a percentage of the total OPEB liability	4.99%	2.66%	1.57%	0.91%	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

Measurement Year Ended August 31,				
2015	2014	2013	2012	2011
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ --
\$ --	\$ --	\$ --	\$ --	\$ --
\$ --	\$ --	\$ --	\$ --	\$ --
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS

TEACHER RETIREMENT SYSTEM OF TEXAS

*LAST TEN FISCAL YEARS **

	Fiscal Year Ended				
	2021	2020	2019	2018	2017
Statutorily or contractually required District contribution	\$ 2,148,936	\$ 2,252,891	\$ 2,189,522	\$ 2,141,485	\$ --
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	<u>2,148,936</u>	<u>2,252,891</u>	<u>2,189,522</u>	<u>2,141,485</u>	<u>--</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 28,652,480	\$ 33,515,164	\$ 30,700,504	\$ 31,508,910	\$ --
Contributions as a percentage of covered-employee payroll	7.50%	6.72%	7.13%	6.80%	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

	2016	2015	2014	2013	2012
\$	--	\$ --	\$ --	\$ --	\$ --
	--	--	--	--	--
\$	<u>--</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$	--	\$ --	\$ --	\$ --	\$ --
	--	--	--	--	--

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2021

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

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

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Other Post-Employment Benefit Plan

Changes of benefit terms

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

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2021*

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2012 and Prior Years	\$ Various	\$ Various	\$ Various
2013	1.04	.3481	2,631,336,575
2014	1.04	.394	2,642,811,541
2015	1.04	.4044	2,425,173,531
2016	1.04	.4044	2,458,412,016
2017	1.04	.4044	2,416,051,716
2018	1.17	.2744	2,309,528,693
2019	1.17	.2744	2,387,787,055
2020	1.0684	.2744	2,664,748,762
2021 (School Year Under Audit)	1.0547	.2744	2,707,753,269

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 9/1/20	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/21
\$ 231,475	\$ --	\$ 8,282	\$ 2,266	\$ (25,540)	\$ 195,387
36,997	--	1,623	543	--	34,831
31,285	--	3,688	1,397	--	26,200
64,153	--	4,588	1,784	--	57,781
79,787	--	10,792	4,196	--	64,799
92,233	--	16,979	6,603	--	68,651
118,251	--	23,743	5,569	(67)	88,872
170,953	--	36,861	8,646	(18,755)	106,691
318,088	--	70,530	18,115	(64,027)	165,416
--	35,988,749	26,307,775	9,124,925	(249,272)	306,777
<u>\$ 1,143,222</u>	<u>\$ 35,988,749</u>	<u>\$ 26,484,861</u>	<u>\$ 9,174,044</u>	<u>\$ (357,661)</u>	<u>\$ 1,115,405</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM
AS OF AUGUST 31, 2021

<u>Data Control Codes</u>		<u>Responses</u>
<u>Section A: Compensatory Education Programs</u>		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 3,043,502
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30, 34)	\$ 1,968,703
<u>Section B: Bilingual Education Programs</u>		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 162,461
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 165,852

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 825,400	\$ 756,290	\$ (69,110)
5800 State Program Revenues	57,700	75,918	18,218
5900 Federal Program Revenues	1,164,649	1,503,263	338,614
5020 Total Revenues	<u>2,047,749</u>	<u>2,335,471</u>	<u>287,722</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 Food Services	2,623,102	2,386,194	236,908
Total Support Services - Student (Pupil)	<u>2,623,102</u>	<u>2,386,194</u>	<u>236,908</u>
6030 Total Expenditures	<u>2,623,102</u>	<u>2,386,194</u>	<u>236,908</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(575,353)</u>	<u>(50,723)</u>	<u>524,630</u>
Other Financing Sources (Uses):			
7915 Transfers In	398,878	--	(398,878)
7080 Total Other Financing Sources and (Uses)	<u>398,878</u>	<u>--</u>	<u>(398,878)</u>
1200 Net Change in Fund Balance	<u>(176,475)</u>	<u>(50,723)</u>	<u>125,752</u>
0100 Fund Balance - Beginning	176,495	176,495	--
3000 Fund Balance - Ending	<u>\$ 20</u>	<u>\$ 125,772</u>	<u>\$ 125,752</u>

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 9,214,224	\$ 9,221,543	\$ 7,319
5800 <i>State Program Revenues</i>	183,378	172,098	(11,280)
5020 <i>Total Revenues</i>	<u>9,397,602</u>	<u>9,393,641</u>	<u>(3,961)</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	5,010,000	5,010,000	--
0072 <i>Interest on Long-Term Debt</i>	4,735,600	4,733,892	1,708
0073 <i>Bond Issuance Costs and Fees</i>	3,750	1,525	2,225
<i>Total Debt Service</i>	<u>9,749,350</u>	<u>9,745,417</u>	<u>3,933</u>
6030 <i>Total Expenditures</i>	<u>9,749,350</u>	<u>9,745,417</u>	<u>3,933</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	<u>(351,748)</u>	<u>(351,776)</u>	<u>(28)</u>
1200 <i>Net Change in Fund Balance</i>	<u>(351,748)</u>	<u>(351,776)</u>	<u>(28)</u>
0100 <i>Fund Balance - Beginning</i>	3,324,472	3,324,472	--
3000 <i>Fund Balance - Ending</i>	<u>\$ 2,972,724</u>	<u>\$ 2,972,696</u>	<u>\$ (28)</u>

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Independent Auditors' Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

Board of Trustees
Port Neches-Groves Independent School District
Port Neches, Texas

Members of the Board of Trustees:

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 Port Neches-Groves Independent School District, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise Port Neches-Groves Independent School District's basic financial statements and have issued our report thereon dated January 21, 2022.

Internal Control Over Financial Reporting

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

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

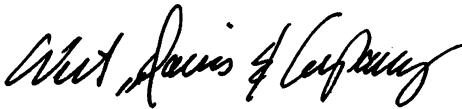
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port Neches-Groves Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) Finding 2021-1.

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.



West, Davis & Company, LLP
Austin, Texas
January 21, 2022

WEST, DAVIS & COMPANY, LLP
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Independent Auditors' Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Port Neches-Groves Independent School District
Port Neches, Texas

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Port Neches-Groves Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Port Neches-Groves Independent School District's major federal program for the year ended August 31, 2021. Port Neches-Groves Independent School District's major federal program is 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 Port Neches-Groves Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port Neches-Groves Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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



West, Davis & Company, LLP
Austin, Texas
January 21, 2022

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2021*

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Version of compliance supplement used in audit: July 2021

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425D	CARES Act Coronavirus Relief Fund (CRF)-ESSER
84.425D	ESSER Fund III of the American Rescue Plan Act of 2021

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

Auditee qualified as low-risk auditee? Yes No

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2021*

B. Financial Statement Findings

Finding 2021-1 - Compliance with the Public Funds Investment Act

Condition: The District's investment reporting did not include the book and market value of each separately invested asset.

Criteria: Section 2256.023 "Internal Management Reports" of the Public Funds Investment Act (The Act) requires the District to report the book and market value of each separately invested asset.

Cause of Condition: Education relating to the requirements of the Public Funds Investment Act did not meet the desired level of knowledge in reporting required under the Act.

Effect of Condition: The District was not in compliance with the reporting requirements of the Act.

Recommendation: We recommend that the District include the reports provided by Investment Advisors in all Quarterly and Annual Investment reports. The reports should include a description of all invested assets and the maturity date, the rating, book value and market value of each.

Client Response: The Investment Officer will include a detailed report, as described above, with all investment reports.

C. Federal Award Findings and Questioned Costs

NONE

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2021

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no prior year audit findings.		

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED AUGUST 31, 2021

Finding 2021-1 - Compliance with the Public Funds Investment Act

The Business Manager will include a detailed report relating to each invested asset under the Public Funds Investment Act (The Act). This report will include a detailed description of each asset, the maturity date, the rating, the book value and the market value.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT K-1

Page 1 of 2

(1) Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	(2) Federal CFDA Number	(2A) Pass- Through Entity Identifying Number	Passed Through to Subrecipients	(3) Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	71402001	\$	\$ 206,750
National School Lunch Program (Non-cash)	10.555	123-908	--	211,112
National School Lunch Program	10.555	71302101	--	933,798
Total CFDA Number 10.555			--	1,144,910
Total Passed Through State Department of Education			--	1,351,660
Total U. S. Department of Agriculture			--	1,351,660
Total Child Nutrition Cluster			--	1,351,660
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
<i>IDEA-B Formula</i>	84.027A	206600011239086600	--	16,389
<i>IDEA-Part B, Formula</i>	84.027A	216600011239086600	--	909,176
<i>IDEA-Part B, Discretionary</i>	84.027A	216600121239086000	--	141,679
<i>IDEA-Part B, Formula</i>	84.027A	226600121239086000	--	56,696
Total CFDA Number 84.027A			--	1,123,940
<i>IDEA-Part B, Preschool</i>	84.173A	21661011239086610	--	28,110
<i>IDEA-Part B, Preschool</i>	84.173A	22661011239086610	--	2,228
Total CFDA Number 84.173A			--	30,338
Total Passed Through State Department of Education			--	1,154,278
Total U. S. Department of Education			--	1,154,278
Total Special Education (IDEA) Cluster			--	1,154,278
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
<i>TITLE IV, PART A, SUBPART 1</i>	84.424A	21680101123908	--	51,960
<i>TITLE IV, PART A, SUBPART 1</i>	84.424A	22680101123908	--	4,750
Total CFDA Number 84.424A			--	56,710
<i>CARES Act Coronavirus Relief Act (CRF) - ESSER</i>	21.019	123-908	--	129,242
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010A	20610101123908	--	34,340
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010A	21610101123908	--	657,096
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010A	22610101123908	--	47,964
Total CFDA Number 84.010A			--	739,400
<i>Career and Technical Education - Basic Grant</i>	84.048A	21420006123908	--	45,464
Total CFDA Number 84.048A			--	45,464
<i>Title III, Part A-English Language Acquisition & Lang Enhancemt</i>	84.365A	2067101123908	--	20,580
<i>Title III, Part A-English Language Acquisition & Lang Enhancemt</i>	84.365A	2167101123908	--	21,241
Total CFDA Number 84.365A			--	41,821

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT K-1

Page 2 of 2

(1)	(2)	(2A)	(3)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367A	20694501123908	--	35,573
<i>ESEA Title II, Part A - Teacher & Principal Training & Recruiting</i>	84.367A	21694501123908	--	115,026
<i>ESEA Title II, Part A - Teacher & Principal Training & Recruiting</i>	84.367A	22694501123908	--	9,361
Total CFDA Number 84.367A			--	159,960
 <i>LEP Summer School</i>	 84.369A	 69551902	 --	 724
 <i>CARES Act Coronavirus Relief Fund (CRF) - ESSER</i>	 84.425D	 2052100123908	 --	 574,442
<i>ESSER Fund III of the American Rescue Plan Act of 2021</i>	84.425D	21528001123908	--	947,574
Total CFDA Number 84.425D			--	1,522,016
Total U. S. Department of Education			--	3,849,615
Total Passed Through State Department of Education			--	5,201,275
 <u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
Child and Adult Care Food Program (Non-cash)	10.558	123-908	--	151,603
Total U. S. Department of Agriculture			--	151,603
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ --	\$ 5,352,878

The accompanying notes are an integral part of this schedule.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2021

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Port Neches-Groves Independent School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These 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. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Port Neches-Groves Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2021

Data Control Codes		Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (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.)	Yes
	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.	
	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.	
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	\$ --