

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

Board of Trustees:

Marty Gerber, President
Mac Annen, Vice-President
Jenny Schulte, Secretary
Alan Birkenfeld
Mitchell Brockman
Jennifer Hieman
Keith Hoelting

Superintendent:

Dr. Kara Garlitz

Business Manager:

K'Lynn Gerber

**Nazareth Independent School District
Annual Financial Report
For the Year Ended August 31, 2021**

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Introductory Section

CERTIFICATE OF BOARD

Nazareth Independent School District
Name of School District

Castro
County

035-903
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) X approved _____ disapproved for the year ended August 31, 2021, at a meeting of the Board of the Trustees of such school district on the 19th day of January 2022.


Signature of Board Secretary


Signature of Board President

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

Financial Section

STEPHENS, STEPHENS, & TELCHIK, P.C.

Certified Public Accountants

MEMBER AICPA
MEMBER TSCPA

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S.E. STEPHENS, CPA
RAY A. STEPHENS, CPA
KEVIN TELCHIK, CPA

Independent Auditor's Report

UNMODIFIED OPINIONS ON THE BASIC FINANCIAL STATEMENTS

Board of School Trustees
Nazareth Independent School District
Nazareth, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient 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 net position of the governmental activities, each major fund, and the aggregate remaining fund information of Nazareth Independent School District, as of August 31, 2021, and the respective changes in

net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-9, budgetary comparison information on page 47 and the pension and other post-employment benefit (OPEB) related information on pages 48-52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nazareth Independent School District's basic financial statements. The other supplementary information comprised of required Texas Education Agency (TEA) schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such other supplementary 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2022, on our consideration of Nazareth Independent School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Stephens, Stephens, & Telchik PC
Certified Public Accountants

Lamesa, Texas

January 17, 2022

NAZARETH INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of Nazareth Independent School District's financial performance provides an overview of the District's financial performance for the year ended August 31, 2021. It should be read in conjunction with the District's Basic Financial Statements and Independent Auditor's Report.

The Management's Discussion and Analysis (MD&A) is an element of the financial reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

FINANCIAL HIGHLIGHTS

- The net position of the District increased by \$712,121. The District's statement of activities showed total revenues were \$3,971,368 and expenses totaled \$3,259,248.
- The District ended the year, August 31, 2021, with total net position of \$5,018,973, and unrestricted (Net Position) of \$3,209,866. The balance of cash and investments at August 31, 2021, was \$4,311,768.
- Total general fund expenditures were \$2,656,321 for the year ended August 31, 2021. This compares with general fund expenditures of \$2,616,431 for the year ended August 31, 2020. This increase was mainly due to increased maintenance & increased administrative costs.
- The District's total revenues on the fund financial statements increased from \$3,351,425 in 2019-20 to \$3,956,916 in 2020-21. This increase was primarily due to increases in state revenue, federal revenue, and property taxes.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. 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 report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how the services of the District were sold to departments within the District. The fiduciary statements provide financial information about activities for which the District acts solely as a trustee.

The notes to the financial statements provide narrative explanations and additional data needed for full disclosure in the government-wide statements and the fund financial statements.

The section labeled TEA Required Schedule contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

Government-Wide Financial Statements

The analysis of the District's overall financial condition and operations is presented in the Statement of Net Position and the Statement of Activities. Its primary purpose is to show whether the District is better 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 statements apply the accrual basis of accounting, which is the basis used by private sector companies.

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

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

In the Statement of Net Position and the Statement of Activities, the District is reporting its governmental activities. The District currently has no business type activities as defined in the GASB Statement No. 34.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements 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 from the U.S. Department of Education through TEA. The District's administration establishes many other funds to help it control and manage money for particular purposes.

The District's two fund types – governmental, and fiduciary – use different accounting approaches.

- **Governmental funds** – Most of the District's basic services are included in governmental funds. These uses 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 the fund financial statements.

- **Fiduciary fund** – The District is the trustee, or fiduciary, for money raised by student activities. The District is responsible for ensuring that the assets reported in this fund are used only for their intended purpose and by those to whom the assets belong. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

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.

Table I
Nazareth Independent School
District
Net Position
August 31, 2021 and 2020

	August 31,	
	<u>2021</u>	<u>2020</u>
Cash and Temporary Investments	\$ 4,626,543	\$ 4,056,667
Capital Assets	<u>2,020,831</u>	<u>2,180,053</u>
Total Assets	<u>\$ 6,647,374</u>	<u>\$ 6,236,720</u>
Deferred Outflows of Resources	<u>\$ 378,905</u>	<u>\$ 398,151</u>
Total Deferred Outflows	<u>\$ 378,905</u>	<u>\$ 398,151</u>
Current Liabilities	\$ 197,277	\$ 290,217
Long-Term Liabilities	<u>1,287,911</u>	<u>1,647,640</u>
Total Liabilities	<u>\$ 1,485,188</u>	<u>\$ 1,937,857</u>
Deferred Inflows of Resources	<u>\$ 522,118</u>	<u>\$ 390,161</u>
Total Deferred Inflows	<u>\$ 522,118</u>	<u>\$ 390,161</u>
Net Position		
Net Investment in Capital Assets	\$ 1,751,719	\$ 1,711,294
Restricted for debt service	\$ 57,388	\$ 180,277
Unrestricted (Deficit)	<u>\$ 3,209,866</u>	<u>\$ 2,415,282</u>
Total Net Position	<u><u>\$ 5,018,973</u></u>	<u><u>\$ 4,306,853</u></u>

Changes in Net Position

The District's net position increased during the year ended August 31, 2021. The net position increased by \$712,120 (see Table II). Unrestricted – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased \$794,584 from \$2,415,282 to 3,209,866 in 2021. This increase is related to changes in GASB 68 and GASB 75 amounts.

Table II
Nazareth Independent School District
Changes in Net Position
For the Year Ended August 31, 2021 and 2020

	August 31,	
	2021	2020
Revenues:		
Program Revenues:		
Charges For Services	\$ 186,574	\$ 18,951
Operating Grants and Contributions	518,567	940,101
General Revenues:		
Maintenance and Operations Taxes	826,826	911,653
Debt Service Taxes	105,191	112,930
State Aid-Formula Grants	2,137,423	2,304,014
Investment Earnings	10,213	44,202
Miscellaneous	186,574	5,129
Total Revenues	\$ 3,971,368	\$ 3,654,376
Expenses:		
Instruction, Curriculum and Media Services	\$ 1,854,335	\$ 1,670,496
School Leadership	144,128	210,931
Student Support Services	138,239	136,395
Food Services	172,877	143,522
Extracurricular Activities	144,416	138,610
General Administration	229,537	268,032
Facilities Maintenance, Security and Data Processing	504,415	521,249
Debt Service-Interest and Other Costs	17,376	24,275
Payment to Fiscal Agent and Other Intergovernmental	53,925	47,719
Total Expenses	\$ 3,259,248	\$ 3,161,229
Change In Net Position Before Transfers	712,120	493,147
Net Position At Beginning Of Year	4,306,853	3,813,706
Net Position At End Of Year	\$ 5,018,923	\$ 4,306,853

The District's total revenues increased from \$3,654,376 in fiscal year 2020 to \$3,971,368 in fiscal year 2021, an increase of \$316,992. The total expenses of the District increased by \$98,019 from \$3,161,229 to \$3,259,248. Increases in expenses were attributable to increased maintenance and administrative costs.

Other factors impacting the District's financial position include the following:

- The District's property tax rate decreased from \$1.06835 in 2020 to 1.0494 in 2021. The District's appraised valuation of taxable property decreased from \$94,433,050 to \$88,278,200, a decrease of \$6,154,850, or 6.52%. The total school property taxes assessed for school year 2021 were \$950,481. This is a decrease of \$154,363 from the \$1,104,844 assessed in 2020.
- The District's average daily attendance (ADA) is the basis for most of the State funding received. The ADA went from 223.466 in 2020 to 232.068 in 2021. There was an increase in state revenues due to additional amounts received from the state.

Fund Balances

The District's total Governmental Funds fund balance was \$4,282,073. This fund balance is reported in the various Governmental funds as follows:

General Fund

Unassigned \$2,917,546 – This balance is available for current spending; however, it has been the practice of the District to try and maintain a fund balance that is at least several months operating expenses.

Budgetary Highlights

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments were necessary to reflect the revised estimates of revenues and expenses. The principal amendments were related to increases in awarded grants and amendments to grants. None of the amendments made were considered to be significant changes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Financial statement footnote No. D discloses the capital asset activity of the District for the year ended August 31, 2021.

Debt

Financial statement footnote No. F discloses the debt activity of the District for the year ended August 31, 2021.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District began preparations for the 2022 budget, looking not only to the coming 2022 year, but to the future and reviewing the past.

The District's elected appointed officials considered many factors when setting the fiscal-year 2022 budget and tax rates. One of those factors is the local economy. The District's population growth decreased modestly during 2020-2021.

These indicators were taken into account when adopting the General Fund budget for 2022. Amounts available for appropriation in the General Fund budget are \$ 3,099,559. The District will use its revenues to finance programs currently in place. The District has added no programs to the 2022 budget.

If these estimates are realized, the District's budgetary General Fund balance is expected to remain relatively unchanged by the close of 2022. More importantly, however, this will have been accomplished in spite of unfunded mandates.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at Nazareth Independent School District, P.O. Box 189, Nazareth, Texas 79063

Basic Financial Statements

Government Wide Statements

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

EXHIBIT A-1

Data Control Codes		Primary Government
		Governmental Activities
ASSETS		
1110	Cash and Cash Equivalents	\$ 3,936,513
1120	Current Investments	375,255
1220	Property Taxes - Delinquent	281,706
1230	Allowance for Uncollectible Taxes	(84,512)
1240	Due from Other Governments	92,036
1267	Due from Fiduciary Funds	21,565
1410	Prepayments	3,980
	Capital Assets:	
1510	Land	5,700
1520	Buildings, Net	1,873,071
1530	Furniture and Equipment, Net	142,060
1000	Total Assets	6,647,374
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred Outflow Related to TRS Pension	201,744
1706	Deferred Outflow Related to TRS OPEB	177,161
1700	Total Deferred Outflows of Resources	378,905
LIABILITIES		
2110	Accounts Payable	20,475
2160	Accrued Wages Payable	116,277
2200	Accrued Expenses	9,824
2300	Unearned Revenue	700
	Noncurrent Liabilities:	
2501	Due Within One Year: Loans, Note, Leases, etc.	50,000
	Due in More than One Year:	
2502	Bonds, Notes, Leases, etc.	220,000
2540	Net Pension Liability (District's Share)	468,038
2545	Net OPEB Liability (District's Share)	599,874
2000	Total Liabilities	1,485,188
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred Inflow Related to TRS Pension	82,857
2606	Deferred Inflow Related to TRS OPEB	439,261
2600	Total Deferred Inflows of Resources	522,118
NET POSITION		
3200	Net Investment in Capital Assets	1,751,719
3850	Restricted for Debt Service	57,388
3900	Unrestricted	3,209,866
3000	Total Net Position	\$ 5,018,973

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

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

EXHIBIT B-1

FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		3	4	6	
		Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 1,670,919	\$ 67,490	\$ 168,179	\$ (1,435,250)
12	Instructional Resources and Media Services	35,938	-	1,964	(33,974)
13	Curriculum and Instructional Staff Development	11,472	-	8,542	(2,930)
21	Instructional Leadership	136,006	-	124,671	(11,335)
23	School Leadership	144,128	-	8,654	(135,474)
31	Guidance, Counseling, and Evaluation Services	41,117	-	3,028	(38,089)
33	Health Services	5,124	-	-	(5,124)
34	Student (Pupil) Transportation	91,998	-	449	(91,549)
35	Food Services	172,877	85,502	133,737	46,362
36	Extracurricular Activities	144,416	23,057	4,654	(116,705)
41	General Administration	229,537	-	11,429	(218,108)
51	Facilities Maintenance and Operations	411,248	10,525	28,260	(372,463)
52	Security and Monitoring Services	48,095	-	25,000	(23,095)
53	Data Processing Services	45,072	-	-	(45,072)
72	Debt Service - Interest on Long-Term Debt	15,076	-	-	(15,076)
73	Debt Service - Bond Issuance Cost and Fees	2,300	-	-	(2,300)
93	Payments Related to Shared Services Arrangements	31,402	-	-	(31,402)
99	Other Intergovernmental Charges	22,523	-	-	(22,523)
[TP] TOTAL PRIMARY GOVERNMENT:		\$ 3,259,248	\$ 186,574	\$ 518,567	(2,554,107)
Data Control Codes	General Revenues:				
	Taxes:				
MT	Property Taxes, Levied for General Purposes				826,826
DT	Property Taxes, Levied for Debt Service				105,191
SF	State Aid - Formula Grants				2,137,423
IE	Investment Earnings				10,213
MI	Miscellaneous Local and Intermediate Revenue				186,574
TR	Total General Revenues				3,266,227
CN	Change in Net Position				712,120
NB	Net Position - Beginning				4,306,853
NE	Net Position - Ending				\$ 5,018,973

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

Fund Financial Statements

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

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 3,855,444	\$ 81,069	\$ 3,936,513
1120 Investments - Current	375,256	-	375,256
1220 Property Taxes - Delinquent	251,207	30,499	281,706
1230 Allowance for Uncollectible Taxes	(75,362)	(9,150)	(84,512)
1240 Due from Other Governments	70,155	21,881	92,036
1260 Due from Other Funds	46,364	4,756	51,120
1410 Prepayments	3,980	-	3,980
1000 Total Assets	<u>\$ 4,527,044</u>	<u>\$ 129,055</u>	<u>\$ 4,656,099</u>
LIABILITIES			
2110 Accounts Payable	\$ 18,765	\$ 1,710	\$ 20,475
2160 Accrued Wages Payable	113,843	2,434	116,277
2170 Due to Other Funds	4,381	25,175	29,556
2200 Accrued Expenditures	9,806	18	9,824
2300 Unearned Revenue	700	-	700
2000 Total Liabilities	<u>147,495</u>	<u>29,337</u>	<u>176,832</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	175,845	21,349	197,194
2600 Total Deferred Inflows of Resources	<u>175,845</u>	<u>21,349</u>	<u>197,194</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3430 Prepaid Items	3,980	-	3,980
Restricted Fund Balance:			
3480 Retirement of Long-Term Debt	-	57,388	57,388
Committed Fund Balance:			
3510 Construction	600,000	-	600,000
3530 Capital Expenditures for Equipment	300,000	-	300,000
3545 Other Committed Fund Balance	382,178	-	382,178
3600 Unassigned Fund Balance	2,917,546	20,981	2,938,527
3000 Total Fund Balances	<u>4,203,704</u>	<u>78,369</u>	<u>4,282,073</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 4,527,044</u>	<u>\$ 129,055</u>	<u>\$ 4,656,099</u>

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

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

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 4,282,073
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$5,635,011 and the accumulated depreciation was (\$3,454,958). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	1,711,294
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2021 capital outlays and debt principal payments is to increase net position.	241,485
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$201,744, a deferred resource inflow in the amount of \$ 82,857, and a net pension liability in the amount of \$468,038. This resulted in a decrease in net position.	(349,151)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$177,161, a deferred resource inflow in the amount of \$439,261, and a net OPEB liability in the amount of \$599,874. This resulted in a decrease in net position.	(861,974)
5 The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(201,948)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	197,194
19 Net Position of Governmental Activities	\$ <u>5,018,973</u>

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

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

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 898,637	\$ 225,532	\$ 1,124,169
5800 State Program Revenues	2,573,807	17,443	2,591,250
5900 Federal Program Revenues	8,940	232,557	241,497
5020 Total Revenues	<u>3,481,384</u>	<u>475,532</u>	<u>3,956,916</u>
EXPENDITURES:			
Current:			
0011 Instruction	1,504,196	35,905	1,540,101
0012 Instructional Resources and Media Services	35,277	-	35,277
0013 Curriculum and Instructional Staff Development	2,930	8,542	11,472
0021 Instructional Leadership	9,626	120,894	130,520
0023 School Leadership	139,356	-	139,356
0031 Guidance, Counseling, and Evaluation Services	39,840	-	39,840
0033 Health Services	4,946	-	4,946
0034 Student (Pupil) Transportation	65,153	-	65,153
0035 Food Services	-	150,243	150,243
0036 Extracurricular Activities	174,917	304	175,221
0041 General Administration	224,816	-	224,816
0051 Facilities Maintenance and Operations	333,172	19,669	352,841
0052 Security and Monitoring Services	23,095	25,000	48,095
0053 Data Processing Services	45,072	-	45,072
Debt Service:			
0071 Principal on Long-Term Debt	-	170,738	170,738
0072 Interest on Long-Term Debt	-	43,985	43,985
0073 Bond Issuance Cost and Fees	-	2,300	2,300
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	31,402	-	31,402
0099 Other Intergovernmental Charges	22,523	-	22,523
6030 Total Expenditures	<u>2,656,321</u>	<u>577,580</u>	<u>3,233,901</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>825,063</u>	<u>(102,048)</u>	<u>723,015</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	21,813	21,813
8911 Transfers Out (Use)	(21,813)	-	(21,813)
7080 Total Other Financing Sources (Uses)	<u>(21,813)</u>	<u>21,813</u>	<u>-</u>
1200 Net Change in Fund Balances	803,250	(80,235)	723,015
0100 Fund Balance - September 1 (Beginning)	<u>3,400,454</u>	<u>158,604</u>	<u>3,559,058</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 4,203,704</u>	<u>\$ 78,369</u>	<u>\$ 4,282,073</u>

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

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

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 723,015
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2021 capital outlays and debt principal payments is to increase net position.	242,373
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(201,948)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	(11,086)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$39,258. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling \$36,057. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$51,096. The net result is a decrease in the change in net position.	(47,895)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$12,595. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling \$11,994. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$7,060.	7,661
Change in Net Position of Governmental Activities	\$ 712,120

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

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

EXHIBIT E-1

	Private Purpose Trust Fund	Custodial Fund
ASSETS		
Cash and Cash Equivalents	\$ 40,640	\$ 200,267
Total Assets	<u>40,640</u>	<u>\$ 200,267</u>
LIABILITIES		
Due to Other Funds	-	21,565
Total Liabilities	<u>-</u>	<u>21,565</u>
NET POSITION		
Restricted for Other Purposes	<u>40,640</u>	<u>178,702</u>
Total Net Position	<u><u>\$ 40,640</u></u>	<u><u>\$ 178,702</u></u>

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

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

EXHIBIT E-2

	Private Purpose Trust Fund	Custodial Fund
ADDITIONS:		
Miscellaneous Revenue - Student Activities	\$ -	\$ 108,470
Earnings from Temporary Deposits	137	-
Total Additions	<u>137</u>	<u>108,470</u>
DEDUCTIONS:		
Other Deductions	-	139,060
Total Deductions	<u>-</u>	<u>139,060</u>
Change in Fiduciary Net Position	137	(30,590)
Total Net Position - September 1 (Beginning)	<u>40,503</u>	<u>209,292</u>
Total Net Position - August 31 (Ending)	<u>\$ 40,640</u>	<u>\$ 178,702</u>

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

Notes to the Financial Statements

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

A. Summary of Significant Accounting Policies

Nazareth Independent School District (the "District") is a public education agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District.

The basic financial statements of Nazareth 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" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity" and there are not component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide 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.

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

The District reports the following major governmental fund:

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.

In addition, the District reports the following fund types:

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

Private Purpose Trust Fund - The District accounts for donations for which the donor has stipulated may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is a scholarship fund, annual scholarships to be awarded to past students of the District in accordance with donor stipulations.

Debt Service Fund - The District accounts for resources accumulated and payments made for principal and interest on long-term obligation debt of governmental funds in the Debt Service Fund.

Custodial Funds - These custodial funds are used to account for activities of student groups. Student activity organizations exist with the explicit approval of, and are subject to revocation by, the Board. If any unused resources are declared surplus by the student groups, they are transferred to the general fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agency 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 does not consider revenues collected after its year-end to be available in the current period. 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

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

both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, 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.

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

Fiduciary Funds- Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net position.

3. Encumbrance Accounting

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget.

There were no outstanding encumbrances that were provided for in the subsequent year's budget because all encumbrances were liquidated by satisfactory receipt or acceptance of invoiced goods or services and had become payables or liabilities of the District at August 31, 2021.

4. 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 receipts of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period, and (2) when they are expected to be collected during a 60 day period after the close of the school's fiscal year.

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

Allowances for uncollectible taxes receivable within the General Fund 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. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed 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>
Buildings	20-40
Building Improvements	20-40
Vehicles	5-12
Office Equipment	5-10
Computer Equipment	5-7

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to September 1, 2001.

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

d. 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.

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

e. 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 benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Any Transfers in and Transfers out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, any interfund receivables and payables are netted and presented as a single "Internal Balances" line of government-wide statement of net assets.

f. Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as committed, assigned, and unassigned.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

1. **Nonspendable** - Not in spendable form, such as inventory, long-term receivables, etc.
2. **Restricted** - Amounts constrained to be used for a specific purpose by external parties, constitutional provisions, and enabling legislation.
3. **Committed** - Amounts that can be used only for the specific purposes determined by a formal action of the District's School Board (the District's highest level of decision-making authority). Action to constrain resources should occur prior to year end, to report such constraints in the balance sheet of the respective period, even though the amount may be determined subsequent to fiscal year end. A commitment can only be modified or removed by the same formal action.
4. **Assigned** - Amounts intended to be used by the government for specific purposes. Intent

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

is expressed by the District's School Board or an official authorized by the District's School Board (the District's highest level of decision-making authority).

5. Unassigned - Residual amount available for any purpose.

The District does not currently have a minimum fund balance policy in effect. The Board of Trustees will utilize funds in the following spending order in circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications: Restricted, Committed, Assigned, and Unassigned.

g. Use of Estimates

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

h. 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 insure accuracy in building a statewide database for policy development and funding plans.

i. 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.

j. Other Post-Employment Benefits (OPEB)

The fiduciary net position of the TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net 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.

k. New Financial Accounting Standards - Change in Accounting Principle

During the fiscal year ended August 31, 2013, the District implemented two statements of the Governmental Accounting Standards Board (GASB) this year - No. 63 (*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*) and No. 65 (*Items Previously Reported as Assets and Liabilities*). These two statements:

- Classified items that are a consumption of net assets applicable to a future reporting period as deferred resource outflows;
- Classified items that are an acquisition of net assets applicable to a future reporting period as deferred resource inflows;
- Renames all "Statements of Net Assets" "Statements of Net Positions";

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

- Required all bond issuance costs to be recorded as expenses in the year the bonds were issued;
- Reclassified the effect of accounting changes adopted to conform to the provisions of Statement No. 63 retroactively in statements of net position and balance sheets, if practical, for all prior periods presented. In the period Statement No. 63 is first applied, the financial statements should disclose the nature of any reclassification and its effect;
- Required reasons for not reclassifying statements of net position and balance sheet information for prior periods presented to be explained.

The effect of these two statements on the District's 2021 annual financial statements was:

- To record uncollected property taxes deferred resource inflows:

Deferred Resource Inflows	
"Unavailable revenues- property taxes"	\$197,194

I. Other Accounting Policies

1. The District records purchases of supplies as expenditures. If a material amount of supplies are on hand at the end of the year, their total cost is recorded as inventory and a portion of fund balance is reported as nonspendable for the same amount accordingly. At August 31, 2021, the amount of supplies on hand was not material.
2. Employees of the District are entitled to paid vacation and paid sick days depending on job classification, length of service, and other factors. No payments are made to an employee for unused sick leave or vacation upon separation from employment. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the costs of compensated absences when actually paid to employees.
3. The District administers endowed scholarship funds. The net position of these funds is restricted to payments of future scholarships and are reported as private-purpose trust funds on the District's financial statements.

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

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

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

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

Deficit Fund Name	Amount	Remarks
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.

Cash Deposits:

At August 31, 2021, the amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,152,036. 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.

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

- a. Depository: Peoples Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$5,286,936.
- c. The highest combined balances of cash, savings and time deposit accounts amounted to \$4,936,905 and occurred on December 9, 2020.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk - The District has no policy regarding foreign currency risk since it has investments or deposits denominated in a foreign currency.

District Policies and Legal and Contractual Provisions Governing Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the

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

areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. 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, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. Agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Credit Risk - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District has adopted a policy which limits its investments to certificates of deposit which are secured by FDIC coverage and securities pledged as collateral in the District's name.

Custodial Credit Risk for Investments - To limit the risk that in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. All of the pledged securities covering the District's investments are in the District's name and held by the District or its agent.

Concentration of Credit Risk - To limit the risk of loss attributed to the magnitude of a government's investments in a single issuer, the District limits investments to certificates of deposit through a financial institution.

Interest Rate Risk - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires its investment officer to diversify the District's investment portfolio to include both maturities of one year and less than one year.

Foreign Currency Risk for Investments - The District has no policy regarding foreign currency risk since it has no investments or deposits denominated in a foreign currency.

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

<u>Investment Value</u>	<u>Category</u>		<u>Reported</u>	<u>Fair</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>
Certificates of Deposit -				
Peoples Bank	\$375,256	\$ -0-	\$375,256	\$375,256
Total Investments	<u>\$375,256</u>	<u>\$ -0-</u>	<u>\$375,256</u>	<u>\$375,256</u>

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

D. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental Activities:</u>				
Land	\$ 5,700	\$ -0-	\$ -0-	\$ 5,700
Buildings and Improvements	4,824,256	-	-	4,824,256
Furniture, Equipment, and Vehicles	<u>805,055</u>	<u>42,726</u>	<u>-</u>	<u>847,781</u>
Total Capital Assets at Historical Cost	<u>\$ 5,635,011</u>	<u>\$ 42,726</u>	<u>\$ -0-</u>	<u>\$ 5,677,737</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 2,794,629	\$ 156,556	\$ -0-	\$2,951,185
Furniture, Equipment, and Vehicles	<u>660,329</u>	<u>45,392</u>	<u>-</u>	<u>705,721</u>
Total Accumulated Depreciation	<u>\$3,454,958</u>	<u>\$ 201,948</u>	<u>\$ -0-</u>	<u>\$3,656,906</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 2,180,053</u>			<u>\$ 2,020,831</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 88,911
School leadership	178
Health services	178
Student (pupil) transportation	26,694
Food services	20,116
Extracurricular activities	10,020
General administration	534
Plant maintenance and operations	<u>55,317</u>
Total depreciation expense	<u>\$ 201,948</u>

E. Interfund Balances and Activities

1. Due To and Due From Interfund Balances

Interfund balances between fund for the year ended August 31, 2021, consisted of the following:

<u>Due To:</u>			
<u>Due Form:</u>	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Totals</u>
General	\$ -	\$ 4756	\$ 4,756
Non-major governmental funds	25,175	-	25,175
Agency Fund	<u>21,190</u>	<u>-</u>	<u>21,190</u>
Totals	<u>\$ 46,365</u>	<u>\$ 4756</u>	<u>\$ 51,121</u>

Transfers in the amount of \$21,813 were used to move cash from the General Fund to the Child Nutrition Program to assist with payment of expenditures.

**NAZARETH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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F. Bonds Payable and Long-Term Liabilities

The District accounts for bonded indebtedness in the government-wide Statement of Net Position. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. The proceeds from the bonds were used for the construction of a new physical education facility, renovations to the campus buildings, update of equipment and to pay professional fees related to the costs of issuance of the bonds. A summary of changes in bond indebtedness for the year ended August 31, 2021. Is as follows:

	Original Amount Borrowed	Payable Amounts Outstanding 9/1/20	Additions	Retired	Payable Amounts Outstanding 8/31/21	Due Within One Year
School Building Bonds Series 2003	\$420,000	\$420,000	\$ - 0 -	\$150,000	\$270,000	\$50,000
School Building Capital Appreciation Bonds Series 2003	535,794	20,739	-	20,739	-0-	-
Total		\$440,739	-0-	\$170,739	\$270,000	<u>\$50,000</u>
Accreted interest on capital appreciation bonds		28,020	-	28,020	-	
Grand Total		<u>\$468,759</u>	<u>\$ -0-</u>	<u>\$198,759</u>	<u>\$270,000</u>	

The general obligation bonds mature serially through 2026 as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2022	\$50,000	19,190	69,190
2023	55,000	16,933	71,933
2024	55,000	14,375	69,375
2025	60,000	11,500	71,500
2026	50,000	8,375	58,375
Total	<u>\$270,000</u>	<u>70,373</u>	<u>340,373</u>

**NAZARETH 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. Unearned Revenue

Unearned revenue is associated with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Unearned revenues consisted of tuition prepaid in the amount of \$700.

I. School District Retiree Health Plan

1. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple employer defined benefit post employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55%. For the years ended August 31, 2021, 2020, and 2019, the State's contributions (in thousands) to TRS-Care were \$334,028, \$324,974, and \$305,363, respectively, the active member contributions (in thousands) were \$250,413, \$243,532, and \$227,338, respectively.

J. Health Care Coverage

During the year ended August 31, 2021, the District participated in the TRS-Active Care Program administered by the Teacher Retirement System. The District contributed \$225 of the employee-only premium per month, and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Under this plan, the District is not liable for costs incurred beyond the premiums paid.

Additionally, payments made on behalf of the District by the State for Medicare Part D fringe benefits and salaries amounted to \$7,276, \$6,521, and \$5,013 for the years ended August 31, 2021, 2020, and 2019 respectively.

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

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 being audited and adjusted 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 and respective grants; therefore, no provision has been recorded in the financial statements.

2. Litigation

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

L. Shared Services Arrangement - Fiscal Agent

The District participates in a shared services arrangement ("SSA") for Special Education and Alternative Education with Hart ISD.

The District is the fiscal agent for a Shared Service Arrangement ("SSA") which provides special education and pre-school special education programs for member districts. All services are provided by the fiscal agent, including the grant application process and administrative duties. The SSA receives funding from the TEA to cover expenditures of the SSA. Grant funds received that benefit only a specific District's special education population are accounted for as disbursements to member districts, which are then reported by the member districts in Funds 224 and 225 on their financial statements. According to the guidance provided in the Resource Guide, the District has accounted for the services provided by the fiscal agent in Special Revenue Funds 313 and 314. The District received a direct payment from SSA in the amount of \$77,090 during the year ended August 31, 2021.

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides speech therapy, a diagnostician and administrative support services for special education to member districts. In addition to the District, the other member district includes Hart ISD. All services are provided by the fiscal agent and the member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in Special Revenue Fund No. 437, Shared Services Arrangements - Special Education and is accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

Total expenditures of the SSA for the year ending August 31, 2021 totaled \$11,928.

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

M. Local and Intermediate Revenues

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

<u>Revenue Description</u>	<u>Fund</u>	<u>Revenue Amount</u>
Property Taxes	General	\$ 923,025
Penalties, Interest and Other Tax Related Income	General	4,090
Rent Income	General	10,525
Food Sales	General	85,502
Investment Income	General	10,360
Athletic Activities	General	23,057
Tuition and Fees	General	32,200
Payments from SSA Member District	Special	35,290
Total		<u>\$1,124,049</u>

N. Budgetary Control

The official budget was prepared for adoption for the General Fund and the Food Service Fund, which is included within the Governmental Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can be amended at the 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. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board of Education. All budget appropriations lapse at year-end. The budgets for the General Fund and Food Service Special Revenue Fund must be filed with the Texas Education Agency on a designated date through the Public Education Information Management System (PEIMS).

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

**NAZARETH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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O. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. The District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal, state, and local governments as of August 31, 2021 are:

<u>Government</u>	<u>Fund</u>	<u>Amount</u>	<u>Description</u>
Texas Education Agency	Special	\$ 1,179	Title I, Part A
Texas Education Agency	Special	663	ESEA Title II, Part A
Texas Education Agency	General	69,205	Foundation
Texas Education Agency	Special	1,974	School Lunch
CCAD	Debt Service	950	Property Taxes
CCAD	Debt Service	118	Property Taxes
Texas Education Agency	Special	13,875	SSA - Idea Part B
Texas Education Agency	Special	669	ESSER
Texas Education Agency	Special	1,794	Title V, Part B
Texas Education Agency	Special	1,285	Title IV, Part A
Texas Education Agency	Special	324	Safety & Security
<u>Total</u>		<u>\$ 92,036</u>	

P. Unavailable Revenue - Property Taxes

Unavailable revenue for property taxes in the governmental funds at year end consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Net Tax Revenue	\$ 175,845	\$ 21,349	\$ 197,194
Total Unavailable Revenue	<u>\$ 175,845</u>	<u>\$ 21,349</u>	<u>\$ 197,194</u>

Q. Workers' Compensation

During the year ended August 31, 2021, the District met its statutory workers' compensation obligations through participation in West Texas Educational Insurance Association (the "Fund") which was administered by Claims Administrative Services, Inc. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's workers' compensation program is authorized by Chapter 504, Texas Labor Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

**NAZARETH INDEPENDENT SCHOOL DISTRICT
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The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of \$1,000,000. For the year ended August 31, 2021, the Fund purchased excess coverage from a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. The amount the District is estimated to be liable for the 2020-2021 fiscal year is \$7,402, which is included in accrued expenditures on the governmental funds balance sheet. The District paid a fixed costs of \$3,065 during FYE 8-31-21, for excess insurance, claims administration, and safety and loss control. The District's ultimate liability is the sum of loss funds for each policy year since being accepted into West Texas Educational Insurance.

R. Deferred Outflows/ Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District currently has two items which qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in the category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

S. Subsequent Events

The District has evaluated events occurring after August 31, 2021, and through January 15, 2022, that date on which financial statements were available to be issued, for additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. There are no subsequent events that have not been previously mentioned.

T. Defined Benefit Pension Plan

Plan Description

Nazareth Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's 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 work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and

**NAZARETH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov>; by writing to TRS at 1000 Red River Street, Austin TX 78701-2698; or by calling (512) 542-6592.

T. Defined Benefit Pension Plan (continued)

The information provided in the Notes to the Financial Statements in the 2020 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2020.

<u>Net Pension Liability</u>	<u>2020</u>
Total Pension Liability	\$ 218,974,205,084
Less: Plan Fiduciary Net Position	<u>(165,416,245,243)</u>
Net Pension Liability	<u>\$ 53,557,959,841</u>
Net Position as percentage of Total Pension Liability	75.54%

Benefits Provided

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

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

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

Contributions

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

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Employee contribution rates are set in the 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 through 2025.

T. Defined Benefit Pension Plan (continued)

	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2021</u>
Member	7.70%	7.70%
Non- Employer Contributing Entity (State)	7.50%	7.50%
Employers	7.50%	7.50%
Nazareth ISD 2021 Employer Contributions	\$ 39,258	
Nazareth ISD 2021 Member Contributions	\$124,521	
2020 Measurement NECE On-Behalf Contributions	\$ 99,900	

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, 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 including public schools are required to pay the employer contribution rate in the following instances:

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

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

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

Actuarial Assumptions

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

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumption were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has the sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual

**NAZARETH INDEPENDENT SCHOOL DISTRICT
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T. Defined Benefit Pension Plan (continued)

experience for the three-year period ending August 31, 2017 and were adopted in July 2018.

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

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

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rates as of August 2018	2.33%-Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity index's "20-Year Municipal GO AA index."
Last year ending August 31 in projection period (100 years)	2119
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad Hoc Post-Employment Benefit Changes	None

Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the discount rate assumed that the 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% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

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

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NOTES TO THE FINANCIAL STATEMENTS
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T. Defined Benefit Pension Plan (continued)

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%
Absolute Return (Including Credit Sensitive Investments)		1.80%	
Stable Value Hedge Funds	5.00%	1.90%	0.11%
Real Return			
Real Estate	15.00%	4.60%	1.02%
Energy, Natural Resources, and Infrastructure	6.00%	6.00%	0.42%
Commodities		0.80%	
Risk Party			
Risk Party	8.00%	3.00%	0.30%
Asset Allocation Leverage Cash			
Cash	2.00%	-1.50%	-0.03%
Asset Allocation Leverage	-6.00%	-1.30%	0.08%
Inflation Expectation			2.00%
Volatility Drag***			-0.67%
Expected Return	100.00%		7.33%

* - Target allocations are based on the FY 2020 policy model

** - Capital Market Assumptions come from Aon Hewitt (as of 8/31/2020)

*** - The volatility drag results from the conversion between arithmetic and geometric mean returns

**NAZARETH INDEPENDENT SCHOOL DISTRICT
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T. Defined Benefit Pension Plan (continued)

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Nazareth ISD's proportionate share of the net position liability:	\$ 721,707	\$ 468,038	\$ 261,938

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

At August 31, 2021, Nazareth Independent School District reported a net pension liability of \$468,038 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Nazareth Independent School District. The amount recognized by Nazareth Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Nazareth Independent School District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$ 468,038
State's Proportionate Share that is Associated with the District	<u>1,296,750</u>
Total	<u>\$ 1,764,788</u>

The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2019 thru August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net pension liability was .0008738915% which was a decrease of .0000478768% from its proportion measured as of August 31, 2019.

For the year ended August 31, 2021, Nazareth Independent School District recognized pension expense of \$243,123 and revenue of \$155,970 for support provided by the State.

Changes since the Prior Actuarial Valuation

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

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

T. Defined Benefit Pension Plan (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Economic Experience	\$ 855	\$ 13,062
Changes in Actuarial Assumptions	108,602	46,177
Difference between Projected and Actual Investment Earnings	9,475	-
Changes in Proportion and Difference between the Employer's Contributions and the Proportionate Share of Contributions	43,554	23,618
Contributions Paid to TRS Subsequent to Measurement Date	<u>39,258</u>	<u>-</u>
Total as of Fiscal Year End	<u>\$ 201,744</u>	<u>\$ 82,857</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended August 31</u>	<u>Pension Expense Amount</u>
2022	\$ 30,202
2023	24,684
2024	25,343
2025	7,239
2026	(6,745)
Thereafter	(1,094)

U. Nonmonetary Transactions

The District received food commodities from the Federal Government. The cost basis is determined by the U.S. Dept of Agriculture and recorded on the District's books at that cost (GAAP Basis). There are no related gains or losses associated with this transaction.

The District received personal protective equipment (PPE) from the Federal Government. The cost basis is determined by the Texas Education Agency and recorded on the District's books at that cost (GAAP Basis). There are no related gains or losses associated with this transaction.

**NAZARETH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2021**

V. Defined Other Post-Employment Benefit Plan

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

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

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

The information provided in the Notes to the Financial Statements in the 2020 Comprehensive Annual Financial Report for TRS-Care provides the following information regarding the Other Post-Employment Benefit Plan fiduciary net position as of August 31, 2020:

Net OPEB Liability	2020
Total OPEB liability	\$ 40,010,833,815
Less: Plan fiduciary net position	(1,996,317,932)
Net OPEB Liability	<u>\$ 38,014,515,883</u>

Net position as a percentage of total OPEB liability	4.99%
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Benefits Provided - TRS-Care provides health insurance coverage to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in 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 General Appropriations ACT passed by the 86th Legislature included funding to maintain TRS-Care premiums at their current level through 2021. The 86th Legislature also passed SB 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures

**NAZARETH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2021**

V. Defined Other Post-Employment Benefit Plan (Continued)

TRS-Care Plan Premium Rates January 1, 2020 – December 31, 2020
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	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public 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.

<u>Contribution Rates and Amounts</u>		
	<u>2020</u>	<u>2021</u>
Active Employee Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%

Nazareth ISD 2021 Employer Contributions	\$ 12,595
Nazareth ISD 2021 Member Contributions	\$ 10,512
Nazareth ISD 2020 NECE On-behalf Contributions	\$ 16,117

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

**NAZARETH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2021**

V. Defined Other Post-Employment Benefit Plan (Continued)

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

Actuarial Assumptions - The total OPEB liability in the August 31, 2019 actuarial valuation was rolled forward to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions. The actuarial valuation of the OPEB plan offered through the TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All the demographic assumptions, including rates of the retirement, termination and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experiences study performed for TRS for the period ending August 31, 2017.

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

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

Additional Actuarial Methods and Assumptions:

Valuation date	August 31, 2019 rolled forward to August 31, 2020
Actuarial cost method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience
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%
Election rate	Normal retirement: 65% participation prior to age 65 and 40% participation after age 65, 25% of pre-65 retirees are assumed to discontinue coverage at the age of 65.
Ad hoc post-employment benefit changes	None

**NAZARETH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2021**

V. Defined Other Post-Employment Benefit Plan (Continued)

The initial medical trend rates were 9% for Medicare retirees and 7.30% for non-Medicare retirees. There was an initial prescription drug trend rate of 9% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.

Discount Rate - A single discount rate of 2.33% was used to measure the total OPEB liability. There was decrease a change of .30% in the discount rate since the previous year. Because the plan is essentially a "pay-as- you-go" plan, the single discount rate is equal to the prevailing municipal bond rate.

The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to *not be able* to make all future benefit payments of current plan members. Therefore, the municipal bond rate was 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 municipal bond rate is the Fidelity "20-year Municipal GOAA 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.

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

	<u>1% Decrease in Discount Rate (1.33%)</u>	<u>Discount Rate (2.33%)</u>	<u>1% Increase in Discount Rate (3.33%)</u>
NISD's Proportionate Share of the Net OPEB Liability	\$ 719,847	\$ 599,874	\$ 505,112

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
NISD's Proportionate share of Net OPEB Liability	\$490,020	\$599,874	\$746,184

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEBs - At August 31, 2021, the District reported a liability of \$599,874 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

**NAZARETH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2021**

V. Defined Other Post-Employment Benefit Plan (Continued)

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	\$ 599,874
State's Proportionate Share that is Associated with the District	806,087
Total	<u>\$ 1,405,961</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 employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2019 thru August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net OPEB liability was .0015780128% which was an increase of .0000984219% from its proportion measured as of August 31, 2019.

For the year ended August 31, 2021, the District recognized OPEB expense of \$(663) and revenue of \$(5,597) for support provided by the State.

Changes Since the Prior Actuarial Valuation

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

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

There were no changes of benefit terms that affected measurement of the Total OPEB Liability since the prior measurement date.

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:

**NAZARETH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2021**

V. Defined Other Post-Employment Benefit Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 31,409	\$ 274,533
Changes in actuarial assumptions	37,000	164,728
Difference Between Projected and Actual Investment Earnings	195	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	95,962	-
Contributions Paid to TRS Subsequent to the Measurement Date	12,595	-
Total as fiscal year end	<u>\$ 177,161</u>	<u>\$ 439,261</u>

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

Year ended August 31:	(Benefit) OPEB Expense
2022	\$ (48,409)
2023	(48,435)
2024	(48,450)
2025	(48,446)
2026	(32,423)
Thereafter	(48,532)

W. Unemployment Compensation Pool

During the year ended August 31, 2021, the District provided unemployment compensation coverage to its employees through participation in the Texas Association of School Board's (TASB) Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2021, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution.

**NAZARETH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2021**

W. Unemployment Compensation Pool (Continued)

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

Required Supplementary Information

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

EXHIBIT G-1

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 925,919	\$ 925,919	\$ 898,637	\$ (27,282)
5800	State Program Revenues	2,142,809	2,142,809	2,573,807	430,998
5900	Federal Program Revenues	10,000	10,000	8,940	(1,060)
5020	Total Revenues	3,078,728	3,078,728	3,481,384	402,656
EXPENDITURES:					
Current:					
0011	Instruction	1,468,053	1,568,053	1,504,196	63,857
0012	Instructional Resources and Media Services	39,831	39,831	35,277	4,554
0013	Curriculum and Instructional Staff Development	5,250	5,250	2,930	2,320
0021	Instructional Leadership	3,250	18,250	9,626	8,624
0023	School Leadership	143,479	143,479	139,356	4,123
0031	Guidance, Counseling, and Evaluation Services	42,808	42,808	39,840	2,968
0033	Health Services	9,470	9,470	4,946	4,524
0034	Student (Pupil) Transportation	91,878	91,878	65,153	26,725
0036	Extracurricular Activities	353,339	278,339	174,917	103,422
0041	General Administration	246,355	246,355	224,816	21,539
0051	Facilities Maintenance and Operations	468,340	418,340	333,172	85,168
0052	Security and Monitoring Services	32,250	32,250	23,095	9,155
0053	Data Processing Services	75,300	75,300	45,072	30,228
Capital Outlay:					
0081	Facilities Acquisition and Construction	30,000	30,000	-	30,000
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	32,500	32,500	31,402	1,098
0099	Other Intergovernmental Charges	15,000	25,000	22,523	2,477
6030	Total Expenditures	3,057,103	3,057,103	2,656,321	400,782
1100	Excess of Revenues Over Expenditures	21,625	21,625	825,063	803,438
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	(42,456)	(42,456)	(21,813)	20,643
1200	Net Change in Fund Balances	(20,831)	(20,831)	803,250	824,081
0100	Fund Balance - September 1 (Beginning)	3,400,454	3,400,454	3,400,454	-
3000	Fund Balance - August 31 (Ending)	\$ 3,379,623	\$ 3,379,623	\$ 4,203,704	\$ 824,081

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

	Measurement Year Ended August 31,						
	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0008738915%	0.0009217683%	0.0008702049%	0.0008720283%	0.0008075214%	0.0009499000%	0.0003483000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 468,038	\$ 479,164	\$ 478,982	\$ 278,828	\$ 305,150	\$ 335,777	\$ 93,036
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	1,296,750	1,117,872	1,224,643	723,756	997,186	952,103	778,440
Total	<u>\$ 1,764,788</u>	<u>\$ 1,597,036</u>	<u>\$ 1,703,625</u>	<u>\$ 1,002,584</u>	<u>\$ 1,302,336</u>	<u>\$ 1,287,880</u>	<u>\$ 871,476</u>
District's Covered Payroll	\$ 1,540,716	\$ 1,344,738	\$ 1,295,028	\$ 1,257,491	\$ 1,321,761	\$ 1,320,010	\$ 1,209,901
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	30.38%	35.63%	36.99%	22.17%	23.09%	25.44%	7.69%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

Note: Only seven years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**NAZARETH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2021**

	Fiscal Year Ended August 31,						
	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 39,258	\$ 36,650	\$ 33,048	\$ 29,591	\$ 28,580	\$ 25,731	\$ 27,940
Contribution in Relation to the Contractually Required Contribution	<u>(39,258)</u>	<u>(36,650)</u>	<u>(33,048)</u>	<u>(29,591)</u>	<u>(28,580)</u>	<u>(25,731)</u>	<u>(27,940)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 1,617,157	\$ 1,540,716	\$ 1,344,738	\$ 1,295,028	\$ 1,257,491	\$ 1,321,761	\$ 1,320,010
Contributions as a percentage of Covered Payroll	2.43%	2.38%	2.46%	2.28%	2.27%	1.95%	2.12%

Note: Only seven years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

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

	Measurement Year Ended August 31,			
	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0015780128%	0.0014795909%	0.0014613172%	0.0013833400%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 599,874	\$ 699,717	\$ 729,649	\$ 601,563
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	806,087	929,767	1,147,314	1,023,180
Total	<u>\$ 1,405,961</u>	<u>\$ 1,629,484</u>	<u>\$ 1,876,963</u>	<u>\$ 1,624,743</u>
District's Covered Payroll	\$ 1,540,716	\$ 1,344,738	\$ 1,295,028	\$ 1,257,491
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	38.93%	52.03%	56.34%	47.84%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	0.91%

Note: Only four years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

NAZARETH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2021

	Fiscal Year Ended August 31,			
	2021	2020	2019	2018
Contractually Required Contribution	\$ 12,595	\$ 11,994	\$ 10,543	\$ 10,081
Contribution in Relation to the Contractually Required Contribution	<u>(12,595)</u>	<u>(11,994)</u>	<u>(10,543)</u>	<u>(10,081)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 1,617,157	\$ 1,540,716	\$ 1,344,738	\$ 1,295,028
Contributions as a percentage of Covered Payroll	0.78%	0.78%	0.78%	0.78%

Note: Only four years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

NAZARETH INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

A. NOTES TO SCHEDULES FOR THE TRS PENSION

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 that affected measurement of the total pension liability during the measurement period.

B. NOTES TO SCHEDULES FOR THE TRS OPEB 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

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

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

Other Supplementary Information

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

Last 10 Years Ended August 31	(1)	(2)	(3)	
	Tax Rates		Assessed/Appraised Value for School Tax Purposes	
	Maintenance	Debt Service		
2012 and prior years	Various	Various	\$	Various
2013	1.170000	0.145000		36,933,050
2014	1.170000	0.100000		58,789,080
2015	1.170000	0.130000		76,764,700
2016	1.170000	0.130000		63,468,450
2017	1.170000	0.130000		55,901,770
2018	1.170000	0.130000		56,940,700
2019	1.170000	0.130000		58,146,910
2020	1.068300	0.130000		94,433,050
2021 (School year under audit)	1.049400	0.130000		88,278,200
1000 TOTALS				

(10) Beginning Balance 9/1/2020	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2021
\$ 3,983	\$ -	\$ -	\$ -	\$ (1,375)	\$ 2,608
209	-	-	-	(1)	208
510	-	-	-	-	510
313	-	-	-	-	313
847	-	-	-	-	847
360	-	-	-	-	360
2,593	-	-	-	(1)	2,592
1,403	-	43	5	(284)	1,071
272,851	-	4,223	514	(242)	267,872
-	950,481	837,393	105,710	(2,053)	5,325
<u>\$ 283,069</u>	<u>\$ 950,481</u>	<u>\$ 841,659</u>	<u>\$ 106,229</u>	<u>\$ (3,956)</u>	<u>\$ 281,706</u>

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 61,500	\$ 61,500	\$ 85,850	\$ 24,350
5800 State Program Revenues	4,088	4,088	5,320	1,232
5900 Federal Program Revenues	33,800	33,800	37,260	3,460
5020 Total Revenues	99,388	99,388	128,430	29,042
EXPENDITURES:				
Current:				
0035 Food Services	141,844	141,844	150,243	(8,399)
6030 Total Expenditures	141,844	141,844	150,243	(8,399)
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(42,456)	(42,456)	(21,813)	20,643
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	42,456	42,456	21,813	(20,643)
1200 Net Change in Fund Balances	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 98,723	\$ 98,723	\$ 104,385	\$ 5,662
5800 State Program Revenues	11,440	11,440	11,423	(17)
5020 Total Revenues	110,163	110,163	115,808	5,645
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	80,000	207,235	170,738	36,497
0072 Interest on Long-Term Debt	-	20,265	43,985	(23,720)
0073 Bond Issuance Cost and Fees	-	2,500	2,300	200
6030 Total Expenditures	80,000	230,000	217,023	12,977
1200 Net Change in Fund Balances	30,163	(119,837)	(101,215)	18,622
0100 Fund Balance - September 1 (Beginning)	158,604	158,604	158,604	-
3000 Fund Balance - August 31 (Ending)	\$ 188,767	\$ 38,767	\$ 57,389	\$ 18,622

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

Section A: Compensatory Education Programs

API	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$62,062
AP4	List the actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICS 24, 26, 28, 29, 30, 34)	\$127,182

Section B: Bilingual Education Programs

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the district's fiscal year.	\$1,123
AP8	List the actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICS 25, 35)	\$949

***Overall Compliance and Internal
Controls Section***

STEPHENS, STEPHENS, & TELCHIK, P.C.

Certified Public Accountants

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MEMBER TSCPA

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KEVIN TELCHIK, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLAANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

Board of School Trustees
Nazareth Independent School District
Nazareth, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nazareth Independent School District (the District) as of and for the year ended August 31, 2021, and related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 17, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nazareth Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions

of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stephens, Stephens, & Telchik PC
Certified Public Accountants

Lamesa, Texas

January 17, 2022

NAZARETH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATE FINDINGS AND QUESITONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2021

Current Year Findings –

None

Corrective Action Plan–

N/A

Status of Prior Year Findings –

Finding 2020 – 001 - Material Weakness – Material Audit Adjustments

Condition: The prior year audit noted that various accounts on the general ledger needed to be adjusted. These adjustments were deemed in the aggregate to be material to the District's financial statements resulting in the remote likelihood that the District's annual financial statements, before audit, were materially misstated.

Current Status: During the audit of the District for the year ending August 31, 2021 we noted that the District coordinated with Region 16 business services personnel during the year to identify and adjust the accounting records for the types of adjustment items noted in the prior audit. This coordination with Region 16 resulted in a more accurate set of financial accounting records before audit.

SCHOOLS FIRST QUESTIONNAIRE

Nazareth Independent School District

Fiscal Year 2021

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