Tarkington Independent School District

Annual Financial Report
For the Fiscal Year Ended August 31, 2020

Tarkington Independent School District

Annual Financial Report
For the Fiscal Year Ended August 31, 2020
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Certificate of the Board

Tarkington Independent School District	Liberty	146-907
Name of School District	County	Co.-Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and ___✓___ approved _____ disapproved for the fiscal year ended August 31, 2020 at a meeting of the Board of Trustees of such school district on the 15th day of January, 2021.

Signature of Board Secretary

Signature of Board President

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

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Financial Section

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Independent Auditor's Report

To the Board of Trustees of
Tarkington Independent School District
Cleveland, 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 Tarkington Independent School District (the District), as of and for the fiscal year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2020, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information and the Schedule of Required Responses to Selected School First Indicators, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Required Responses to Selected School First Indicators (Other Information) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The Board of Trustees of
Tarkington Independent School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
January 8, 2021

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Management's Discussion and Analysis

As management of the Tarkington Independent School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2020. In reviewing this report, readers should be mindful that it is often necessary for management to make and use estimates in the preparation of financial statements. Examples of the use of such estimates may be found in amounts reported for depreciation, net taxes receivable, and net pension liability.

Financial Highlights

- The assets and deferred outflows or resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $6,879,215 *(net position).*
- The District's net position increased by $1,793,627 from current operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $10,280,218, an increase of $1,209,707 in comparison with the prior year.
- At the end of the current fiscal year, fund balance for the general fund was $9,478,050 or 54 percent of total general fund expenditures.

Overview of the Financial Statements

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

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

The *Statement of Net Position* (Exhibit A-1) presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* (Exhibit B-1) presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, incurred but unpaid workers' compensation benefits, and earned but unused sick leave).

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

The government-wide financial statements can be found as noted in the table of contents of this report.

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

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

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

The District maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund, both which are considered to be major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation.

The District adopts an annual revenue and appropriations budget for its general fund, debt service fund and national school breakfast and lunch program special revenue fund. All other governmental funds adopt project length budgets. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget column. A budgetary comparison statement has been provided for the general fund, debt service fund, and national school breakfast and lunch program special revenue fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found as noted in the table of contents of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of students. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is similar to the accounting used for proprietary funds.

The basic fiduciary fund financial statements can be found as noted in the table of contents of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as noted in the table of contents of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information and supplementary information, including schedules required by the Texas Education Agency. Such information can be found as noted in the table of contents of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $6,879,215 at the close of the most recent fiscal year.

Tarkington Independent School District's Net Position

	Governmental Activities					
	2020		2019		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and other assets	$ 14,426,243	54	$ 12,796,359	52	$ 1,629,884	13
Capital assets, net of depreciation	12,474,757	46	11,847,046	48	627,711	5
Total assets	26,901,000	100	24,643,405	100	2,257,595	
Total deferred outflows of resources	3,637,477	100	3,419,325	100	218,152	6
Long-term liabilities outstanding	19,155,588	94	19,877,752	96	(722,164)	(4)
Other liabilities	1,156,303	6	882,751	4	273,552	31
Total liabilities	20,311,891	100	20,760,503	100	(448,612)	
Total deferred outflows of resources	3,347,371	100	2,216,639	100	1,130,732	51
Net position:						
Net investment in capital assets	3,688,763	54	2,524,089	50	1,164,674	46
Restricted	1,072,580	16	1,092,832	21	(20,252)	(2)
Unrestricted (deficit)	2,117,872	31	1,468,667	29	649,205	44
Total net position	$ 6,879,215	100	$ 5,085,588	100	$ 1,793,627	

The largest portion of the District's net position $3,688,763 (54%) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, furniture and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position of $1,072,580 (16%) is restricted for grants and debt service.

The District's unrestricted net position $2,117,872 is available to meet the District's ongoing obligations to students and creditors.

Governmental Activities. Governmental activities increased the District's net position by $1,793,627 from current operations. The elements giving rise to this increase may be determined from the table below:

Tarkington Independent School District's Changes in Net Position

	Governmental Activities					
	2020		2019		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program revenues:						
Charges for services	$ 385,697	2	$ 554,967	3	$ (169,270)	(31)
Operating grants and contributions	4,368,770	19	2,896,290	14	1,472,480	51
General revenues:						
Property taxes, levied for general purposes	6,468,369	28	7,469,809	35	(1,001,440)	(13)
Property taxes, levied for debt service	834,144	4	109,360	1	724,784	663
Grants and contributions not restricted to specific programs	10,555,456	46	9,647,220	46	908,236	9
Investment earnings	138,490	1	133,170	1	5,320	4
Miscellaneous	76,986	-	76,017	-	969	1
Insurance recovery	-	-	-	-	-	100
Total revenues	22,827,912	100	20,886,833	100	1,941,079	
Expenses:						
Instruction	11,461,175	54	9,880,375	52	1,580,800	16
Instructional resources and media services	214,795	1	202,541	1	12,254	6
Curriculum and instructional staff development	83,707	-	94,025	-	(10,318)	(11)
Instructional leadership	151,716	1	152,007	1	(291)	-
School leadership	1,101,930	5	979,478	5	122,452	13
Guidance, counseling, and evaluation services	533,356	3	419,821	2	113,535	27
Health services	187,113	1	181,570	1	5,543	3
Student transportation	879,215	4	846,010	4	33,205	4
Food services	1,222,923	6	1,354,394	7	(131,471)	(10)
Extracurricular activities	671,280	3	725,882	4	(54,602)	(8)
General administration	1,009,359	5	832,545	4	176,814	21
Plant maintenance and operations	2,329,650	11	2,351,793	12	(22,143)	(1)
Security and monitoring services	173,049	1	175,663	2	(2,614)	(1)
Data processing services	238,211	1	228,966	1	9,245	4
Interest on long-term debt	251,537	1	253,298	1	(1,761)	(1)
Issuance costs and fees	1,300	-	1,300	-	-	-
Payments related to shared service arrangements	342,406	2	301,318	2	41,088	14
Other intergovernmental charges	181,563	1	173,014	1	8,549	5
Total expenses	21,034,285	100	19,154,000	100	1,880,285	
Change in net position	1,793,627		1,732,833		60,794	
Net position - beginning	5,085,588		3,352,755		1,732,833	
Net position - beginning, as restated	5,085,588		3,352,755		1,732,833	
Net position - ending	$ 6,879,215		$ 5,085,588		$ 1,793,627	

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling $14,924,226) represent 65 percent of total revenues and property taxes ($7,302,513 represents 32 percent of total revenues. The remaining 3 percent is generated from charges for services, investment earnings, and miscellaneous revenue.

The primary functional expense of the District is Instruction ($11,461,175), which represents 54 percent of total expenses. Plant Maintenance and Operations ($2,329,650) represents 11 percent of total expenses. The remaining functional categories of expenses are 6 percent or less than total expenses.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $10,280,218 an increase of $1,209,707 in comparison with the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was $9,419,204 and total fund balance was $9,478,050. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Both unassigned and total fund balance represent 54 percent of total general fund expenditures. The fund balance of the District's general fund increased by $1,251,166 during the current fiscal year. The most significant change in revenues was the increase in local revenue from property taxes resulting from the increase in local maintenance tax rate and there were no significant changes in expenditures.

The debt service fund has a total fund balance of $460,845, all of which is restricted for the future payment of debt service. The net increase in fund balance during the current year in the debt service fund was $80,301. The increase is a result of the District reallocating a portion of the property tax rate back to the Debt Service Fund, as last year's rate was totally allocated to the General Fund.

General Fund Budgetary Highlights

The District amended the budget several times throughout the year. The most significant difference between the original budget and the final amended budget for the general fund was to amend budget for Texas Commission on Environmental Quality funds to purchase buses.

There were no significant variances between the final budget and actual results for the general fund.

Capital Assets and Long–term Liabilities

Capital Assets. The District's investment in capital assets for its governmental type activities as of August 31, 2020, amounts to $12,474,757 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, and furniture and equipment.

Tarkington Independent School District's Capital Assets
(net of depreciation)

	Governmental Activities					
	2020		2019		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and improvements	$ 504,825	4	$ 504,825	4	$ -	-
Buildings and improvements	10,098,886	81	10,697,049	91	(598,163)	(6)
Furniture and equipment	1,871,046	15	645,172	5	1,225,874	190
Totals	$ 12,474,757	100	$ 11,847,046	100	$ 627,711	

Major capital asset additions during the current fiscal year included the following:

- $1,367,485 for various assets such as a mower and 14 buses.

Additional information on the District's capital assets can be found in Note 3.D. to the financial statements as noted in the table of contents of this report.

Long-term Liabilities. At year-end, the District had the following long-term liabilities:

Tarkington Independent School District's Long-term Liabilities Outstanding

	Governmental Activities					
	2020		2019		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds	$ 8,785,994	46	$ 9,322,957	46	$ (536,963)	(6)
Workers' compensation	40,196	-	25,291	-	14,905	59
Compensated absences	91,124	1	85,931	1	5,193	6
Net pension liability	4,308,570	22	4,543,049	23	(234,479)	(5)
Net OPEB liability	5,929,704	31	5,900,524	30	29,180	-
Totals	$ 19,155,588	100	$ 19,877,752	100	$ (722,164)	

The District's bonded debt decreased $536,963 primarily for scheduled payments of principal.

The District's general obligation debt is backed by the full faith and credit District and is further guaranteed by the Texas Permanent School Fund Guarantee Program. State statutes do not limit the rate or amount for the support of school districts bonded indebtedness.

Additional information on the District's long-term debt can be found in Note 3.E. to the financial statements as indicated in the table of contents of this report.

Additional information on the District's net pension liability can be found in Note 4.C. to the financial statements as indicated in the table of contents of this report.

Additional information on the District's net OPEB liability can be found in Note 4.D. to the financial statements as indicated in the table of contents of this report.

Economic Factors and Next Year's Budget and Rates

- Current enrollment totals 1,719 students, which is a decrease from 1,876 students from the preceding year.
- District staff totals 280 employees, which consist of 130 teachers and 48 teachers' aides and secretaries.
- The District maintains four campuses for instruction.
- The unemployment rate for the County is currently 10.4 percent, which is an increase from a rate of 5.2 percent a year ago. The State's average unemployment rate is 6.9 percent, which is an increase from 3.4 percent a year ago.
- Property values of the District are projected to increase to $789,501,202 for the 2020-2021 fiscal year.
- A maintenance and operations tax rate of $0.8747 and a debt service tax rate of $0.11, a total rate of $0.9847, were adopted for 2020-2021. Preceding year rate was $0.97 for maintenance and operations and $0.1283 for debt service.

All of these factors were considered in preparing the District's budget for the 2020-2021 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Business Services, Tarkington Independent School District, 2770 FM 163, Cleveland, Texas, 77327.

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Basic Financial Statements

Tarkington Independent School District **Exhibit A-1**

Statement of Net Position

August 31, 2020

Data Control Codes		1 Primary Government Governmental Activities
	ASSETS	
1110	Cash and cash equivalents	$ 7,729,089
1120	Current investments	1,207,539
1220	Property taxes receivables	3,296,764
1230	Allowance for uncollectable taxes	(295,000)
1240	Due from other governments	2,433,051
1290	Other receivables	31,380
1300	Inventories	23,420
	Capital Assets:	
1510	Land and improvements	504,825
1520	Buildings and improvements (net)	10,098,886
1530	Furniture and equipment (net)	1,871,046
1000	Total assets	26,901,000
	DEFERRED OUTFLOWS OF RESOURCES	
1705	Deferred outflows - pension	2,040,545
1706	Deferred outflows - OPEB	1,328,707
1710	Deferred charge on refunding	268,225
1700	Total deferred outflows of resources	3,637,477
	LIABILITIES	
2110	Accounts payable	179,092
2140	Interest payable	12,042
2160	Accrued wages payable	962,693
2180	Due to other governments	2,476
	Noncurrent liabilities:	
2501	Due within one year	631,320
2502	Due in more than one year	8,285,994
2540	Net pension liability	4,308,570
2545	Net OPEB liability	5,929,704
2000	Total liabilities	20,311,891
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred inflows - pension	782,094
2606	Deferred inflows - OPEB	2,565,277
2600	Total deferred inflows of resources	3,347,371
	NET POSITION:	
3200	Net investment in capital assets	3,688,763
3820	Restricted for grants	341,323
3850	Restricted for debt service	731,257
3900	Unrestricted	2,117,872
3000	**TOTAL NET POSITION**	$ 6,879,215

The Notes to the Financial Statements are an integral part of this statement.

Tarkington Independent School District **Exhibit B-1**

Statement of Activities

For the Fiscal Year Ended August 31, 2020

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues: Charges for Services	4 Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
	PRIMARY GOVERNMENT:				
	Governmental activities:				
0011	Instruction	$ 11,461,175	$ -	$ 2,202,411	$ (9,258,764)
0012	Instructional resources and media services	214,795	-	14,734	(200,061)
0013	Curriculum and instructional staff development	83,707	-	63,643	(20,064)
0021	Instructional leadership	151,716	-	6,780	(144,936)
0023	School leadership	1,101,930	-	107,914	(994,016)
0031	Guidance, counseling, and evaluation services	533,356	-	77,514	(455,842)
0033	Health services	187,113	-	22,161	(164,952)
0034	Student transportation	879,215	-	922,502	43,287
0035	Food services	1,222,923	360,581	677,257	(185,085)
0036	Extracurricular activities	671,280	25,116	38,909	(607,255)
0041	General administration	1,009,359	-	77,408	(931,951)
0051	Plant maintenance and operations	2,329,650	-	93,860	(2,235,790)
0052	Security and monitoring services	173,049	-	24,704	(148,345)
0053	Data processing services	238,211	-	15,155	(223,056)
0072	Interest on long-term debt	251,537	-	23,818	(227,719)
0073	Issuance cost and fees	1,300	-	-	(1,300)
0093	Payments related to shared services arrangements	342,406	-	-	(342,406)
0099	Other intergovernmental charges	181,563	-	-	(181,563)
TG	Total governmental activities	21,034,285	385,697	4,368,770	(16,279,818)
TP	**TOTAL PRIMARY GOVERNMENT**	$ 21,034,285	$ 385,697	$ 4,368,770	(16,279,818)
	General revenues:				
MT	Property taxes, levied for general purposes				6,468,369
DT	Property taxes, levied for debt service				834,144
GC	Grants and contributions not restricted to specific programs				10,555,456
IE	Investment earnings				138,490
MI	Miscellaneous				76,986
TR	Total general revenues				18,073,445
CN	Change in net position				1,793,627
NB	Net position - beginning				5,085,588
NE	**NET POSITION - ENDING**				$ 6,879,215

The Notes to the Financial Statements are an integral part of this statement.

Tarkington Independent School District **Exhibit C-1**

Balance Sheet
Governmental Funds
August 31, 2020

Data Control Codes		199 General Fund	599 Debt Service Fund	Total Nonmajor Funds	98 Total Governmental Funds
	ASSETS				
1110	Cash and cash equivalents	$ 6,901,111	$ 420,406	$ 407,572	$ 7,729,089
1120	Current investments	1,164,624	42,915	-	1,207,539
1220	Property taxes receivable	2,987,310	309,454	-	3,296,764
1230	Allowance for uncollectable taxes	(268,000)	(27,000)	-	(295,000)
1240	Due from other governments	1,947,638	-	485,413	2,433,051
1260	Due from other funds	433,310	-	-	433,310
1290	Other receivables	31,380	-	-	31,380
1300	Inventories	-	-	23,420	23,420
1000	Total assets	13,197,373	745,775	916,405	14,859,553
1000a	**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**	$ 13,197,373	$ 745,775	$ 916,405	$ 14,859,553
	LIABILITIES				
2110	Accounts payable	$ 70,430	$ -	$ 108,662	$ 179,092
2160	Accrued wages payable	929,583	-	33,110	962,693
2170	Due to other funds	-	-	433,310	433,310
2180	Due to other governments	-	2,476	-	2,476
2000	Total liabilities	1,000,013	2,476	575,082	1,577,571
	DEFERRED INFLOWS OF RESOURCES				
2600	Unavailable revenue - property taxes	2,719,310	282,454	-	3,001,764
	Total deferred inflows of resources	2,719,310	282,454	-	3,001,764
	FUND BALANCES				
3480	Restricted - debt service	-	460,845	-	460,845
3450	Restricted - grant funds	-	-	341,323	341,323
3590	Assigned - purchases on order	58,846	-	-	58,846
3600	Unassigned	9,419,204	-	-	9,419,204
3000	Total fund balances	9,478,050	460,845	341,323	10,280,218
4000	**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES**	$ 13,197,373	$ 745,775	$ 916,405	$ 14,859,553

The Notes to the Financial Statements are an integral part of this statement.

Tarkington Independent School District **Exhibit C-1R**

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
August 31, 2020

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1)		$ 10,280,218
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end conisist of:		
Governmental capital assets costs	$ 31,779,811	
Accumulated depreciation of governmental capital assets	(19,305,054)	12,474,757
Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds.		3,001,764
Long-term liabilities, including bonds payable, compensated absences, workers' compensation, and net pension and OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to such items consist of:		
Bonds payable, at original par	$ (8,325,000)	
Premium on bonds payable	(460,994)	
Accrued interest on the bonds payable	(12,042)	
Compensated absences	(91,124)	
Workers' compensation	(40,196)	
Net pension liability	(4,308,570)	
Net OPEB liability	(5,929,704)	(19,167,630)
Deferred charge on refunding is reported as deferred outflow of resources in the statement of net position and is not reported in the governmental funds as it is not a current financial resource available to pay for current expenditures.		268,225
Deferred outflows of resources for pension represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then.		2,040,545
Deferred inflows of resources for pension represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.		(782,094)
Deferred outflows of resources for OPEB represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then.		1,328,707
Deferred inflows of resources for OPEB represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.		(2,565,277)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1)		$ 6,879,215

The Notes to the Financial Statements are an integral part of this statement.

Tarkington Independent School District **Exhibit C-2**

Statement of Revenues, Expenditures, and Changes
in Fund Balances
Governmental Funds
For the Fiscal Year Ended August 31, 2020

Data Control Codes		199 General Fund	599 Debt Service Fund	Total Nonmajor Funds	98 Total Governmental Funds
	REVENUES				
5700	Local and intermediate sources	$ 6,582,839	$ 820,069	$ 360,581	$ 7,763,489
5800	State program revenues	11,927,833	23,818	376,571	12,328,222
5900	Federal program revenues	336,902	-	1,624,909	1,961,811
5020	Total revenues	18,847,574	843,887	2,362,061	22,053,522
	EXPENDITURES				
	Current:				
0011	Instruction	8,900,009	-	1,195,237	10,095,246
0012	Instructional resources and media services	213,277	-	-	213,277
0013	Curriculum and instructional staff development	20,064	-	63,643	83,707
0021	Instructional leadership	148,215	-	-	148,215
0023	School leadership	996,509	-	3,590	1,000,099
0031	Guidance, counseling, and evaluation services	442,911	-	1,330	444,241
0033	Health services	167,871	-	8,108	175,979
0034	Student transportation	2,098,681	-	11,193	2,109,874
0035	Food services	12,439	-	1,137,557	1,149,996
0036	Extracurricular activities	595,130	-	-	595,130
0041	General administration	904,755	-	-	904,755
0051	Plant maintenance and operations	2,197,262	-	30,416	2,227,678
0052	Security and monitoring services	148,345	-	24,704	173,049
0053	Data processing services	226,971	-	8,043	235,014
	Debt service:				
0071	Principal on long-term debt	-	485,000	-	485,000
0072	Interest on long-term debt	-	277,286	-	277,286
0073	Issuance costs and fees	-	1,300	-	1,300
	Intergovermental:				
0093	Payments to shared services arrangements	342,406	-	-	342,406
0099	Other intergovernmental charges	181,563	-	-	181,563
6030	Total expenditures	17,596,408	763,586	2,483,821	20,843,815
1200	Net change in fund balances	1,251,166	80,301	(121,760)	1,209,707
0100	Fund balances - beginning	8,226,884	380,544	463,083	9,070,511
3000	**FUND BALANCES - ENDING**	$ 9,478,050	$ 460,845	$ 341,323	$ 10,280,218

The Notes to the Financial Statements are an integral part of this statement.

Tarkington Independent School District **Exhibit C-3**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended August 31, 2020

TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-2)		$ 1,209,707
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense.		
Capital assets *increased*	$ 1,367,485	
Depreciation expense	(739,774)	627,711
Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the funds. Deferred tax revenues increased (decreased) by this amount this year.		146,197
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Bond payable principal payment		485,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The (increase) decrease in interest reported in the statement of activities consists of the following:		
Accrued interest on current interest bonds payable *(increased) decreased*	$ 428	
Amortization of bond premium	51,963	
Amortization of deferred charge on refunding	(26,642)	25,749
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The amounts are as follows:		
Workers' compensation *(increased) decreased*	$ (14,905)	
Compensated absences (*increased) decreased*	(5,193)	(20,098)
The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:		
Deferred outflows increased (decreased)	$ (345,682)	
Deferred inflows (increased) decreased	(431,343)	
Net pension liability (increased) decreased	234,479	(542,546)
The net change in net OPEB liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:		
Deferred outflows increased (decreased)	$ 590,476	
Deferred inflows (increased) decreased	(699,389)	
Net OPEB liability (increased) decreased	(29,180)	(138,093)
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1)		$ 1,793,627

The Notes to the Financial Statements are an integral part of this statement.

Tarkington Independent School District **Exhibit E-1**

Statement of Assets and Liabilities
Fiduciary Fund
August 31, 2020

Data Control Codes		865 Agency Fund Student Activity
	ASSETS	
1110	Cash and cash equivalents	$ 322,567
1000	**TOTAL ASSETS**	$ 322,567
	LIABILITIES	
2190	Due to student groups	$ 322,567
2000	**TOTAL LIABILITIES**	$ 322,567

The Notes to the Financial Statements are an integral part of this statement.

Note 1. Summary of Significant Accounting Procedures

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government (the District). All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

B. Reporting Entity

The Tarkington Independent School District (the District) is governed by a seven-member board of trustees (the Board), which has governance responsibilities over all activities related to public, elementary and secondary, education within the District. Members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity. The accompanying financial statements present the District.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. 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.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

Additionally, the District reports the following fund types:

The total *nonmajor (special revenue) funds* are used to account for the proceeds of specific revenue sources (other than those identified as a major fund) that are restricted or committed to expenditures for specific purposes.

The *agency fund* accounts for assets held by the District for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement or results of operations.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available, excluding property taxes, if they are collected within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenue of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 180 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 180 days of year end). All other revenue items, including property taxes, are considered to be measurable and available only when cash is received by the District.

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and deposits with the District's bank depository.

2. Investments

Investments for the District include certificates of deposit and investment pools. Non-negotiable certificates of deposit are reported at cost; whereas, negotiable certificates of deposit are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost.

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include land and improvements, buildings and improvements, and furniture and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000, and an estimated useful life in excess of two years.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the District chose to include all such items regardless of their acquisition date or amount. The District was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and improvements are not depreciated. The buildings and improvements and furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Capital Asset Classes	Lives
Buildings and improvements	5-35
Furniture and equipment	5-15

5. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension and OPEB activities are amortized over the weighted average remaining service life of all participants in the pension plan and OPEB plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- District contributions to the pension and OPEB plan after the measurement date of each plan are recognized in the subsequent fiscal year.
- Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- Property taxes are recognized in the period the amount becomes available, when collected.

6. Compensated Absences

Vacation

The District does not have a liability for unpaid vacation at year end due to the District's policy does not allow carryover of vacation not taken by August 31.

Sick Leave

It is the District's policy to permit employees to accumulate earned but unused sick leave benefits. Payment for unused sick leave days accumulated locally will be made upon retirement (in accordance with guidelines established by the Teacher Retirement System of Texas) for all employees who have been employed by the District for ten consecutive years or more. All sick pay is accrued when incurred for employees who have completed ten or more years of service with the District in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, the result of employee retirement.

7. Net Position Flow Assumption

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

It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

8. Fund Balance Flow Assumptions

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

9. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The board of trustees (the Board) is the highest level of decision-making authority for the District that can, by board action or adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the funds can only be used for the purpose intended or the limitation imposed by board action or the resolution remains in place until a similar action is taken (the board action or adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has, by policy, authorized the superintendent or his designee to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

10. Pension

The fiduciary net position of the Teacher Retirement System of Texas (TRS) Pension 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 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 Pension Plan 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.

***11.* Other Postemployee Benefits**

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment 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.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

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

H. Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

I. Data Control Codes

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

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, National School Breakfast and Lunch Program special revenue fund and debt service fund. All other governmental funds adopt project length budgets. All annual appropriations lapse at fiscal year-end. 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.

The appropriated budget is prepared by fund, function, and campus/department. The District's campus/department heads may make transfers of appropriations within a department. Transfers of appropriations between campus/departments require the approval of the District's management. Transfers of appropriations between functions require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level.

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Encumbrances included in governmental fund balances are as follows:

	Encumbrances Included in:	
	Restricted Fund Balance	Assigned Fund Balance
General fund	$ -	$ 58,846
Total nonmajor funds	116,926	-
Total encumbrances	$ 116,926	$ 58,846

Note 3. Detailed Notes on All Funds

A. Deposits and Investments

Cash Deposits
The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Investments
The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. State law and District policy limits credit risk by allowing investing in 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized statistical rating organization (NRSRO) not less than A or its equivalent; 2) Certificates of deposit issued by a broker or depository located in Texas which is insured by the FDIC or purchased through a broker who has an office located in Texas; 3) Fully collateralized repurchase agreements secured by obligations of the United States or its agencies not to exceed 90 days to maturity from the date of purchase; 4) Securities lending program as permitted by Government Code 2256.0015; 5) Bankers acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 6) Commercial paper if it has a stated maturity of 270 days or fewer from the date of its issuance and is rated not less than A-1 or P-1 or an equivalent rating by at least: two nationally recognized credit rating agencies or one nationally recognized agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; 7) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission and have an dollar-weighted average stated maturity of 90 days or fewer; 8) No-load mutual funds which shall be registered with the Securities and Exchange Commission, have an average weighted maturity of less than two years, include investments that comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRSRO; 9) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 10) Public funds investment pools which meet the requirements of the Public Funds Investment Act.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The District's investment balances and weighted average maturity of such investments are as follows:

Investment Type	Current Investments	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk
Not subject to level reporting:				
Investments measured at cost				
Certificates of deposit, nonnegotiable	$ 498,000	41.2%	60	*
Investments measured at amortized costs				
Lone Star Government Overnight	703,787	58.3%	24	AAAm
Lone Star Corporate Overnight	2,599	0.2%	65	AAAm
Investments measured at fair value,				
Lone Star Corporate Overnight Plus	3,153	0.3%	54	Aaf/S1+
Total value	$ 1,207,539	100%		
Portfolio weighted average maturity			39	

*Certificate of deposits are insured

Certificates of deposit that are non-negotiable are reported at cost and are not subject to fair value reporting.

Investment Pools are measured at net asset value; i.e. fair value or amortized costs. Such investments are not required to be reported in the fair value hierarchy.

Lone Star is duly chartered by the State of Texas Interlocal Cooperation Act, is administered by First Public, LLC, a subsidiary of the Texas Association of School Boards, and managed by Standish Mellon Asset Management and American Beacon Advisors. State Street Bank and Trust Company is the custodial bank.

The objective of the Lone Star Government Overnight Fund is to provide safety of principal, daily liquidity, and the highest possible rate of return. The fund seeks to maintain a net asset value of one dollar, and its dollar-weighted average maturity is 60 days or fewer. The fund may invest in obligations of the U.S. or its agencies and instrumentalities; other obligations guaranteed or insured by the U.S. or its agencies and instrumentalities; fully collateralized repurchase agreements having a defined termination date and secured by obligations of the U.S. or its agencies and instrumentalities; reverse repurchase agreements authorized under the Public Funds Investment Act; and SEC-regulated no-load money market mutual funds that investment exclusively in authorized Government Overnight Fund Investments.

The objective of the Lone Star Corporate Overnight Fund is to provide safety of principal, daily liquidity, and the highest possible rate of return. This fund seeks to maintain a net asset value of one dollar, and its dollar-weighted average maturity is 60 days or fewer. The fund may invest in all securities authorized under the Public Funds Investment Act; however, the fund has additional restrictions for SEC regulated money market mutual funds and fully collateralized repurchase agreements.

The objective of the Lone Star Corporate Overnight Plus Fund is to provide safety of principal, daily liquidity, and the highest possible rate of return. This fund seeks to maintain a net asset value of one dollar, and its dollar-weighted average maturity is 120 days or fewer. The fund may invest in all! securities authorized under the Public Funds Investment Act; however, the fund has additional restrictions for SEC regulated money market mutual funds and fully collateralized repurchase agreements.

Credit Risk
For fiscal year 2020, the District invested in various Lone Star investment pools. Lone Star Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act and is administered by First Public, LLC. formerly the Texas Association of School Boards Financial Services. The credit rating for such investments are disclosed in the preceding table.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of any internally created pool to no more than 180 days, and any other individual investment not to exceed one year from the time of purchase, unless specifically authorized by the Board of Trustees.

Concentration of Credit Risk
The District's investment policy does not limit an investment in any one issuer. The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

Custodial Credit Risk – Deposits
In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2020, District's banks' balances of $8,696,636, were not exposed to custodial credit risk because such balances were insured and collateralized with securities held by the District's agent and in the District's name.

Custodial Credit Risk – Investments
For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District is not exposed to custodial risk due to the investments are held by the District in the District's name.

B. Receivables

Tax revenues of the general fund are reported net of uncollectible amounts. Total change in uncollectible amounts increased (decreased) revenues of the current period were as follows:

Change in uncollectibles related to general fund property taxes	$ 61,800
Change in uncollectibles related to debt service property taxes	9,200
Total change in uncollectibles of the current fiscal year	$ 71,000

Approximately 84% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

C. Interfund Receivables, Payables and Transfers

Receivables/Payables
The composition of interfund receivable/payable balances as of August 31, 2020, is as follows:

Fund	Interfund Receivables	Interfund Payables
General fund	$ 433,310	$ -
Other governmental funds - nonmajor	-	433,310
Totals	$ 433,310	$ 433,310

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

D. Capital Assets

Capital asset activity for the fiscal year ended August 31, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	$ 504,825	$ -	$ -	$ 504,825
Total capital assets, not being depreciated	504,825	-	-	504,825
Capital assets, being depreciated:				
Buildings and improvements	27,171,712	-	-	27,171,712
Furniture and equipment	2,735,789	1,367,485	-	4,103,274
Total capital assets, being depreciated	29,907,501	1,367,485	-	31,274,986
Less accumulated depreciation for:				
Buildings and improvements	(16,474,663)	(598,163)	-	(17,072,826)
Furniture and equipment	(2,090,617)	(141,611)	-	(2,232,228)
Total accumulated depreciation	(18,565,280)	(739,774)	-	(19,305,054)
Total capital assets, being depreciated, net	11,342,221	627,711	-	11,969,932
Governmental activities capital assets, net	$ 11,847,046	$ 627,711	$ -	$ 12,474,757

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

Governmental activities:	
11 Instruction	$ 476,312
34 Student transportation	91,749
35 Food services	11,637
36 Extracurricular activities	26,027
41 General administration	2,321
51 Plant maintenance and operations	131,728
Total depreciation expense-governmental activities	$ 739,774

E. Long-term Liabilities

The District's long-term liabilities consist of bonds payable, workers' compensation, compensated absences, and net pension and net OPEB liability. The current requirements for bond principal and interest expenditures are accounted for in the debt service fund. The current requirements workers' compensation and compensated absences are accounted for in the general fund and nonmajor governmental funds. Other long-term liabilities are generally liquidated with resources of the general fund.

Changes in Long-term Liabilities

Long-term liability activity for the fiscal year ended August 31, 2020 was as follows:

	Beginning Balance	Additions (Adjustments)	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds, par	$ 8,810,000	$ -	$ (485,000)	$ 8,325,000	$ 500,000
Issuance premiums	512,957	-	(51,963)	460,994	-
Total bonds payable	9,322,957	-	(536,963)	8,785,994	500,000
Workers' compensation	25,291	29,414	(14,509)	40,196	40,196
Compensated absences	85,931	5,193	-	91,124	91,124
Net pension liability	4,543,049	642,978	(877,457)	4,308,570	-
Net OPEB liability	5,900,524	1,005,290	(976,110)	5,929,704	-
Governmental activites long-term liabilities	$ 19,877,752	$ 1,682,875	$ (2,405,039)	$ 19,155,588	$ 631,320

General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school buildings (BLDG) and refund prior bond issues (REF). General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued as current interest bonds with various amounts of principal maturing each year. The following is a summary of changes in the general obligation bonds for the fiscal year:

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2012 REF	1.50-3.75%	$ 9,030,000	2033	$ 8,285,000	$ -	$ (220,000)	$ 8,065,000
2013 REF	1.00-2.00%	2,360,000	2021	525,000	-	(265,000)	260,000
Totals				$ 8,810,000	$ -	$ (485,000)	$ 8,325,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2021	$ 500,000	$ 267,437	$ 767,437
2022	530,000	257,138	787,138
2023	520,000	244,038	764,038
2024	565,000	227,763	792,763
2025	585,000	210,513	795,513
2026	600,000	191,238	791,238
2027	645,000	169,450	814,450
2028	665,000	146,525	811,525
2029	705,000	122,550	827,550
2030	695,000	98,050	793,050
2031	740,000	72,475	812,475
2032	780,000	44,438	824,438
2033	795,000	14,906	809,906
Totals	$ 8,325,000	$ 2,066,521	$ 10,391,521

As of August 31, 2020, the District did not have any authorized but unissued bonds.

F. Revenues from Local and Intermediate Sources

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

	General	Debt Service	Nonmajor Governmental Funds	Totals
Property taxes	$ 6,342,951	$ 813,365	$ -	$ 7,156,316
Charges for services	25,116	-	360,581	385,697
Investment income	131,786	6,704	-	138,490
Other	82,986	-	-	82,986
Totals	$ 6,582,839	$ 820,069	$ 360,581	$ 7,763,489

Note 4. Other Information

A. Risk Management

Property/Liability
The District is exposed to various risks of loss related to property and liability. During the fiscal year 2019, the District purchased property insurance through North American Solutions (NAS), agent for AmRise, LLC, for claims related to such risks.

In addition, the District purchases equipment, vehicle, and liability insurance through NAS, agent for Property Casualty Alliance of Texas (PCAT) and transfers the risk to the Fund. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for any of the past three fiscal years.

Health Care Coverage
During the year ended August 31, 2020, employees of the District were covered by TRS-Active Care (the Plan) a statewide health coverage program for Texas public education employees, implemented by the Teacher Retirement System of Texas (TRS). The District paid premiums of $275 per month, per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to the TRS.

Workers' Compensation
During the year ended August 31, 2020, Tarkington ISD met its statutory workers' compensation obligations through participation in the 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 Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

Tarkington ISD participates in the Fund's reimbursable aggregate deductible program. As such, the member is responsible for a certain amount of claims liability as outlined on the member's Contribution and Coverage Summary document. After the member's deductible has been met, the Fund is responsible for additional claims liability.

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 the Fund's self-insured retention of $2 million. The Fund uses the services of an independent Actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2019, the Fund carries a discounted reserve of $45,439,534 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2020, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2019, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Prior to September 1, 2019, the District participated in a separate plan (Plan) where the District is responsible for claims costs, both reported and unreported, until the deductible is met. The Plan provides administrative services to its self-funded members including claims administration and customer service. The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower costs for workers' compensation coverage and develop a comprehensive loss control program.

Liabilities of the Fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities also include an estimated amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from stop-loss or subrogation, are another component of the claims liability estimate.

Below is a summary combining the claims liability for claims covered by TASB as well as the prior plan. Changes in the Fund's claims liability for the last two fiscal years are as follows:

	Year Ended 8/31/2020	Year Ended 8/31/2019
Unpaid claims, beginning of fiscal year	$ 25,291	$ 20,534
Incurred claims, including provision and adjustments	29,414	14,557
Claim payments	(14,509)	(9,800)
Unpaid claims, end of fiscal year	$ 40,196	$ 25,291

B. Contingencies

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

C. Defined Benefit Pension Plan

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

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

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

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% (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 where 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 postemployment benefit changes, including automatic cost of living adjustments (COLAs). Ad hoc postemployment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as previously noted in the Plan Description above.

Contributions

Employee contribution rates are set in state statute, Texas Government Code 825.402. Contribution requirements are established or amended pursuant to Article XVI, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Rates for such plan fiscal years are as follows:

	Contribution Rates	
	2020	2019
Member	7.7%	7.7%
Non-employer contributing entity (State)	7.5%	6.8%
Employers (District)	7.5%	6.8%
Employers (District - Non-OASDI)*	1.5%	1.5%

*SB12 requires an increase in employer contributions by public school districts, charter schools and regional education service centers. Prior to SB12, only those employers not participating in social security were required to pay a 1.5% contributions (Non-OASDI surcharge). Beginning September 1, 2019 all employers are required to pay the Public Education Employer contribution irrespective of participation in social security.

The contribution amounts for the District's fiscal year 2020 are as follows:

	2020
District contributions	$ 350,320
Member contributions	868,379
NECE on-behalf contributions (State)	665,243

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.

As the non-employer contributing entity, 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 the fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

In addition to the employer contributions listed above, there are two 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.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the member's salary.

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

At August 31, 2020, the District reported a liability of $4,308,570 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District are as follows:

District's proportionate share of the net pension liability	$ 4,308,570
State's proportionate share of the net pension liability associated with the District	7,980,666
Total	$ 12,289,236

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

At the measurement date of August 31, 2019, the District's proportion of the collective net pension liability was 0.0082884% which was an increase of 0.00003% from its proportion measured as of August 31, 2018.

For the fiscal year ended August 31, 2020, the District recognized pension expense of $2,146,516 and revenue of $1,253,650 for support provided by the State.

At August 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 18,100	$ 149,600
Changes of assumptions	1,336,730	552,400
Difference between projected and actual earnings on pension plan investments	43,263	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	292,132	80,094
District contributions paid subsequent to the measurement date	350,320	-
Totals	$ 2,040,545	$ 782,094

$350,320 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (income) as follows:

Year Ending August 31,	
2021	$ 256,594
2022	202,082
2023	210,080
2024	208,271
2025	70,038
Thereafter	(38,934)
Total	$ 908,131

Actuarial Methods and Assumptions

The actuarial valuation of the total pension liability was performed as of August 31, 2018. Update procedures were used to roll forward the total pension liability to August 31, 2019 and was determined using the following actuarial methods and assumptions:

Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	7.25%
Long-term expected rate of return	7.25%
Municipal bond rate as of August 2019	2.63%. 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)	2116
Inflation	2.30%
Salary increases	3.05% to 9.05% including inflation
Ad hoc postemployment benefit changes	None
Active mortality rates	Based on 90% of the RP 2014 Employing Mortality Tables for males and females with full generational mortality. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables with full generational projection using the ultimate improvement rates from the most recently published projection scale U-MP.

The actuarial methods and assumptions are primarily based on a study of actual experience for the three year period ending August 31, 2018 and adopted in July 2018.

Discount Rate and Long-Term Expected Rate of Return

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 single discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity will be made at the statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2019 are summarized below:

Asset Class	Target Allocation*	Long-term Expected Arthimetic Real Rate of Return
Global equity:		
U.S.	18.00%	5.70%
Non-U.S. developed	13.00%	6.90%
Emerging markets	9.00%	8.95%
Directional hedge funds	4.00%	3.53%
Private equity	13.00%	10.18%
Stable value:		
U.S.Treasuries	11.00%	1.11%
Stable value hedge funds	4.00%	3.09%
Real return:		
Global inflation linked bonds	3.00%	0.70%
Real estate	14.00%	5.21%
Energy, natural resources and infrastructure	5.00%	7.48%
Risk parity:		
Risk parity	5.00%	3.70%
Asset allocation leverage cash	1.00%	(0.30%)
Totals	100.00%	

* FY 2019 target allocation based on the strategic asset allocation dated 10/1/2018.

Discount Rate Sensitivity Analysis
The following table presents the District's proportionate share of the TRS net pension liability calculated using the discount rate of 7.25%, as well as what the District's proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	$ 6,622,897	$ 4,308,570	$ 2,433,517

Change of Assumptions Since the Prior Measurement Date

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a $2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

Change of Benefit Terms Since the Prior Measurement Date
There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

D. Defined Other Postemployment 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 plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

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

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

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees of TRS 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 premium rates for retirees are reflected in the following table:

TRS-Care Monthly Plan Premium Rates

	Medicare	Non-medicare
Retiree or surviving spouse	$ 135	$ 200
Retiree and spouse	529	689
Retiree or surving 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. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act.

Rates for such plan fiscal years are as follows:

	Contribution Rates	
	2020	2019
Active employee	0.65%	0.65%
Non-employer contribution entity (State)	1.25%	1.25%
Employers (District)	0.75%	0.75%
Federal/private funding*	1.25%	1.25%

*Contributions paid from federal funds and private grants are remitted by the employer (District) and paid at the State rate.

The contribution amounts for the District's fiscal year 2020 are as follows:

District contributions	$ 101,600
Member contributions	73,311
NECE on-behalf contributions (State)	167,879

In addition, the State of Texas contributed $47,969, $40,187 and $32,371 in 2020, 2019, and 2018, respectively, for on-behalf payments for Medicare Part D.

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 hiring a TRS retiree, employers are required to pay TRS-Care a monthly surcharge of $535 per retiree.

TRS-Care received a supplemental appropriation from the State of Texas as the Non-Employer Contributing Entity in the amount of $73.6 million in fiscal year 2019.

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

At August 31, 2020, the District reported a liability of $5,929,704 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District are as follows:

District's proportionate share of the net OPEB liability	$ 5,929,704
State's proportionate share of the net OPEB liability associated with the District	7,879,246
Total	$ 13,808,950

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

At the measurement date of August 31, 2019, the employer's proportion of the collective net OPEB liability was 0.0125387% which was an increase of 0.0007213% from its proportion measured as of August 31, 2018.

For the fiscal year ended August 31, 2020, the District recognized OPEB expense of $447,358 and revenue of $207,665 for support provided by the State.

At August 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 290,902	$ 970,333
Changes of assumptions	329,349	1,594,944
Difference between projected and actual earnings on OPEB plan investments	639	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	606,217	-
District contributions paid subsequent to the measurement date	101,600	-
Totals	$ 1,328,707	$ 2,565,277

$101,600 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended August 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (income) as follows:

Year Ending August 31,	
2021	$ (248,076)
2022	(248,076)
2023	(248,283)
2024	(248,401)
2025	(248,369)
Thereafter	(96,965)
Total	$ (1,338,170)

Actuarial Methods and Assumptions

The actuarial valuation of the total OPEB liability was performed as of August 31, 2018. Update procedures were used to roll forward the total OPEB liability to August 31, 2019.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The following assumptions used for the valuation of the TRS-Care OPEB liability are identical to the assumptions employed in the August 31, 2019 TRS annual pension actuarial valuation:

Demographic Assumptions	Economic Assumptions
Rates of mortality	General inflation
Rates of retirement	Wage inflation
Rates of termination	Salary increases
Rates of disability	

See Note 4.C. for detail on these assumptions. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The initial medical trend rates were 10.25% for Medicare retirees and 7.50% for non-Medicare retirees. There was an initial prescription drug trend rate of 10.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.50 % over a period of 13 years.

The following methods and additional assumptions were used in the TRS-Care OPEB valuation:

Actuarial cost method	Individual entry age normal
Single discount rate	2.63%
Aging factors	Based on plan specific experience
Election rates	Normal retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Ad hoc postemployment benefit changes	None

The impact of the Cadillac Tax that is returning in fiscal year 2023 has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of $850/$2,292 were indexed annually by 2.30%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

Discount Rate
A single discount rate of 2.63% was used to measure the total OPEB liability at August 31, 2019. This was a decrease of 1.06% in the discount rate since the August 31, 2018 measurement date. The plan is essentially a "pay-as-you-go" plan, and based on the assumption that contributions are made at the statutorily required rates, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments to current members and therefore, the single discount rate is equal to the prevailing municipal bond rate. The 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".

Sensitivity Analysis of Rates

Discount Rate

The following table presents the District's proportionate share of the TRS-Care net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the net OPEB liability:

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
District's proportionate share of the net OPEB liability	$ 7,159,051	$ 5,929,704	$ 4,967,979

Healthcare Cost Trend Rates

The following table presents the District's proportionate share of the TRS-Care net OPEB liability using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed health-care cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 4,837,242	$ 5,929,704	$ 7,393,094

Change of Assumptions Since the Prior Measurement Date

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

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

Change of Benefit Terms Since the Prior Measurement Date

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

E. Joint Venture-Shared Service Arrangement

The District participates in the following shared service arrangement.

Southeast Texas Cooperative for Special Services
The District participates in a shared service arrangement for special education funded under IDEA-B Formula and Preschool and State Supplemental Special Education Funds with other school districts. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Liberty ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the shared service arrangement.

F. Nonmonetary Transactions

During 2019, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of $6,945. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of $9,193 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

Note 5. Subsequent Events

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected public education, workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses and organizations. It is not possible for management to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on the District's operations and financial results at this time.

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Required Supplementary Information

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Tarkington Independent School District **Exhibit G-1**

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended August 31, 2020

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Final	3 Actual	Variance with Final Budget Positive (Negative)
	REVENUES				
5700	Local and intermediate sources	$ 6,229,300	$ 6,567,700	$ 6,582,839	$ 15,139
5800	State program revenues	10,900,480	11,619,880	11,927,833	307,953
5900	Federal program revenues	233,000	327,000	336,902	9,902
5020	Total revenues	17,362,780	18,514,580	18,847,574	332,994
	EXPENDITURES				
	Current:				
0011	Instruction	8,945,970	9,196,000	8,900,009	295,991
0012	Instructional resources and media services	213,795	214,900	213,277	1,623
0013	Curriculum and instructional staff development	50,000	26,000	20,064	5,936
0021	Instructional leadership	120,525	150,600	148,215	2,385
0023	School leadership	979,200	999,000	996,509	2,491
0031	Guidance, counseling, and evaluation services	445,195	444,950	442,911	2,039
0033	Health services	175,755	176,900	167,871	9,029
0034	Student transportation	744,915	2,121,337	2,098,681	22,656
0035	Food services	-	12,500	12,439	61
0036	Extracurricular activities	568,025	597,948	595,130	2,818
0041	General administration	878,608	906,000	904,755	1,245
0051	Plant maintenance and operations	2,383,097	2,213,000	2,197,262	15,738
0052	Security and monitoring services	175,000	188,000	148,345	39,655
0053	Data processing services	238,315	239,000	226,971	12,029
	Intergovermental:				
0093	Payments to shared services arrangements	382,000	345,000	342,406	2,594
0099	Other intergovernmental charges	187,500	182,000	181,563	437
6030	Total expenditures	16,487,900	18,013,135	17,596,408	416,727
1200	Net change in fund balance	874,880	501,445	1,251,166	749,721
0100	Fund balance - beginning	8,226,884	8,226,884	8,226,884	-
3000	**FUND BALANCE - ENDING**	$ 9,101,764	$ 8,728,329	$ 9,478,050	$ 749,721

The Notes to the Required Supplementary Information are an integral part of this schedule.

Tarkington Independent School District

Schedule of the District's Proportionate Share of the Net Pension Liability of a Cost-Sharing Multiple-Employer Pension Plan
Teacher Retirement System of Texas
For the Last Six Fiscal Years*

	2020
District's proportion of the net pension liability	0.0082884%
District's proportionate share of the net pension liability	$ 4,308,570
State's proportionate share of the net pension liability associated with the District	7,980,666
TOTALS	$ 12,289,236
District's covered payroll	$ 10,307,040
District's proportionate share of the net pension liability as a percentage of its covered payroll	41.80%
Plan fiduciary net position as a percentage of the total pension liability	75.24%

* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year. Ten years of data is not available.

The Notes to the Required Supplementary Information are an integral part of this schedule.

2019	2018	2017	2016	2015
0.0082537%	0.0083348%	0.0085547%	0.0091676%	0.0053500%
$ 4,543,049	$ 2,665,009	$ 3,232,688	$ 3,240,625	$ 1,429,059
9,083,038	5,565,486	6,834,649	6,771,055	5,899,354
$ 13,626,087	$ 8,230,495	$ 10,067,337	$ 10,011,680	$ 7,328,413
$ 10,389,669	$ 10,348,422	$ 10,373,881	$ 10,336,267	$ 9,922,159
43.73%	25.75%	31.16%	31.35%	14.40%
73.74%	82.17%	78.00%	78.43%	83.25%

Tarkington Independent School District
Schedule of the District's Contributions to the
Teacher Retirement System of Texas Pension Plan
For the Last Six Fiscal Years*

	2020
Contractually required contributions	$ 350,320
Contributions in relation to the contractually required contributions	(350,320)
CONTRIBUTION DEFICIENCY (EXCESS)	$ -
District's covered payroll	$ 11,278,236
Contributions as a percentage of covered payroll	3.11%

*The amounts presented for the fiscal years were determined as of the District's fiscal year end.
Ten years of data is not available.

The Notes to the Required Supplementary Information are an integral part of this schedule.

2019	2018	2017	2016	2015
$ 291,203	$ 279,559	$ 273,165	$ 271,804	$ 271,457
(291,203)	(279,559)	(273,165)	(271,804)	(271,457)
$ -	$ -	$ -	$ -	$ -
$ 10,307,040	$ 10,389,669	$ 10,348,422	$ 10,373,881	$ 10,336,267
2.83%	2.69%	2.64%	2.62%	2.63%

Tarkington Independent School District **Exhibit G-4**

Schedule of the District's Proportionate Share of the Net OPEB Liability of a Cost-Sharing Multiple-Employer OPEB Plan
Teacher Retirement System of Texas
For the Last Three Fiscal Years*

	2020	2019	2018
District's proportion of the net OPEB liability	0.0125387%	0.0118174%	0.0113858%
District's proportionate share of the net OPEB liability	$ 5,929,704	$ 5,900,524	$ 4,951,266
State's proportionate share of the net OPEB liability	7,879,246	9,182,991	8,415,656
TOTALS	$ 13,808,950	$ 15,083,515	$ 13,366,922
District's covered payroll	$ 10,307,040	$ 10,389,669	$ 10,348,422
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	57.53%	56.79%	47.85%
Plan fiduciary net position as a percentage of the total OPEB liability	2.66%	1.57%	0.91%

* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year.
Ten years of date is not available.

The Notes to the Required Supplementary Information are an integral part of this schedule.

Tarkington Independent School District **Exhibit G-5**

Schedule of the District's Contributions to the
Teacher Retirement System of Texas OPEB Plan
For the Last Three Fiscal Years*

	2020	2019	2018
Contractually required contributions	$ 101,600	$ 89,092	$ 81,706
Contributions in relation to the contractually required contributions	(101,600)	(89,092)	(81,706)
CONTRIBUTION DEFICIENCY (EXCESS)	$ -	$ -	$ -
District's covered payroll	$ 11,278,236	$ 10,307,040	$ 10,307,040
Contributions as a percentage of covered payroll	0.90%	0.86%	0.79%

*The amounts presented for the fiscal years were determined as of the District's fiscal year end.
Ten years of data is not available.

The Notes to the Required Supplementary Information are an integral part of this schedule.

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Note 1. Budget

A. Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund. The Texas Education Code requires the budget to be prepared not later than August 20 and adopted by August 31 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

The following procedures are followed in establishing the budgetary data reflected in the fund financial schedules:

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 formally approved and adopted by the Board.

The appropriated budget is prepared by fund and function. The District's campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year end.

B. Excess of Expenditures Over Appropriations

There were no excess expenditures over appropriations in the general fund.

Note 2. Net Pension Liability and Net OPEB Liability

The following factors significantly affect trends in the amounts reported for the District's proportionate share of the net pension liability and net OPEB liability:

Changes in actuarial assumptions and inputs

	Net Pension Liability		Net OPEB Liability
Measurement Date August 31,	Discount Rate	Long-term Expected Rate of Return	Discount Rate
2019	7.250%	7.250%	2.630%
2018	6.907%	7.250%	3.690%
2017	8.000%	8.000%	3.420%
2016	8.000%	8.000%	
2015	8.000%	8.000%	
2014	8.000%	8.000%	

Changes in demographic and economic assumptions
For measurement dates August 31, 2019 and 2014-2017 – No changes in assumptions.

For Measurement Date August 31, 2018 – Net Pension Liability and Net OPEB Liability:

- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement and economic assumptions, including rates of salary increase for individual participants were updated based on the experience study performed for TRS for the period ending August 31, 2017.

Supplementary Information

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

Data Control Codes		211 Title I, Part A - Improving Basic Programs	224 IDEA-B, Formula	240 National School Breakfast and Lunch Program	244 Career and Technical Basic Grant	255 Title II, Part A, Supporting Effective Instruction
	ASSETS					
1110	Cash and cash equivalents	$ -	$ -	$ 348,364	$ -	$ -
1240	Due from other governments	4,000	-	36,576	-	-
1300	Inventories	-	-	23,420	-	-
1000	**TOTAL ASSETS**	$ 4,000	$ -	$ 408,360	$ -	$ -
	LIABILITIES					
2110	Accounts payable	$ -	$ -	$ 32,712	$ -	$ -
2160	Accrued wages payable	-	-	33,110	-	-
2170	Due to other funds	4,000	-	1,215	-	-
2000	Total liabilities	4,000	-	67,037	-	-
	FUND BALANCES					
3450	Restricted - grant funds	-	-	341,323	-	-
3000	Total fund balances	-	-	341,323	-	-
4000	**TOTAL LIABILITIES AND FUND BALANCES**	$ 4,000	$ -	$ 408,360	$ -	$ -

266	270	276	289	397	410	
ESSER Grant	Title VI, Part B, Subpart 2 - Rural & Low-Income Program	Instructional Continuity Grant	Federally Funded Special Revenue Funds	Advanced Placement Incentives	State Textbook Fund	Total Nonmajor Funds (See Exhibit C-1)
$ -	$ -	$ -	$ -	$ -	$ 59,208	$ 407,572
367,551	-	3,000	57,544	-	16,742	485,413
-	-	-	-	-	-	23,420
$ 367,551	$ -	$ 3,000	$ 57,544	$ -	$ 75,950	$ 916,405
$ -	$ -	$ -	$ -	$ -	$ 75,950	$ 108,662
-	-	-	-	-	-	33,110
367,551	-	3,000	57,544	-	-	433,310
367,551	-	3,000	57,544	-	75,950	575,082
-	-	-	-	-	-	341,323
-	-	-	-	-	-	341,323
$ 367,551	$ -	$ 3,000	$ 57,544	$ -	$ 75,950	$ 916,405

Tarkington Independent School District

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
Special Revenue Funds
For the Fiscal Year Ended August 31, 2020

Data Control Codes		211 Title I, Part A - Improving Basic Programs	224 IDEA-B, Formula	240 National School Breakfast and Lunch Program	244 Career and Technical Basic Grant	255 Title II, Part A, Supporting Effective Instruction
	REVENUES					
5700	Local and intermediate sources	$ -	$ -	$ 360,581	$ -	$ -
5800	State program revenues	-	-	65,219	-	-
5900	Federal program revenues	512,795	18,035	589,997	29,038	40,176
5020	Total revenues	512,795	18,035	1,015,797	29,038	40,176
	EXPENDITURES					
	Current:					
0011	Instruction	486,873	18,035	-	28,038	32,192
0013	Curriculum and instructional staff development	25,922	-	-	1,000	5,119
0023	School leadership	-	-	-	-	2,090
0031	Guidance, counseling, and evaluation services	-	-	-	-	775
0033	Health services	-	-	-	-	-
0034	Student transportation	-	-	-	-	-
0035	Food services	-	-	1,137,557	-	-
0051	Plant maintenance and operations	-	-	-	-	-
0052	Security and monitoring services	-	-	-	-	-
0053	Data processing services	-	-	-	-	-
6030	Total expenditures	512,795	18,035	1,137,557	29,038	40,176
1200	Net change in fund balances	-	-	(121,760)	-	-
0100	Fund balances - beginning	-	-	463,083	-	-
3000	**FUND BALANCES - ENDING**	$ -	$ -	$ 341,323	$ -	$ -

266	270	276	289	397	410	
ESSER Grant	**Title VI, Part B, Subpart 2 - Rural & Low-Income Program**	**Instructional Continuity Grant**	**Federally Funded Special Revenue Funds**	**Advanced Placement Incentives**	**State Textbook Fund**	**Total Nonmajor Funds (See Exhibit C-2)**
$ -	$ -	$ -	$ -	$ -	$ -	$ 360,581
-	-	-	-	26	311,326	376,571
367,551	1,500	3,000	62,817	-	-	1,624,909
367,551	1,500	3,000	62,817	26	311,326	2,362,061
304,145	1,500	3,000	10,102	26	311,326	1,195,237
-	-	-	31,602	-	-	63,643
-	-	-	1,500	-	-	3,590
-	-	-	555	-	-	1,330
-	-	-	8,108	-	-	8,108
243	-	-	10,950	-	-	11,193
-	-	-	-	-	-	1,137,557
30,416	-	-	-	-	-	30,416
24,704	-	-	-	-	-	24,704
8,043	-	-	-	-	-	8,043
367,551	1,500	3,000	62,817	26	311,326	2,483,821
-	-	-	-	-	-	(121,760)
-	-	-	-	-	-	463,083
$ -	$ -	$ -	$ -	$ -	$ -	$ 341,323

Tarkington Independent School District

Schedule of Delinquent Taxes Receivable
For the Fiscal Year Ended August 31, 2020

Year Ended August 31,	1 Tax Rates Maintenance	2 Tax Rates Debt Service	3 Assessed/Appraised Value For School Tax Purposes
2011 and Prior Years	$ Various	$ Various	$ Various
2012	1.04	0.1500	400,251,008
2013	1.04	0.1362	400,225,302
2014	1.04	0.1175	397,813,218
2015	1.04	0.1150	423,795,671
2016	1.04	0.1175	442,856,760
2017	1.04	0.1175	473,544,104
2018	1.04	0.1100	536,392,870
2019	1.15	0.0000	568,384,000
2020	0.97	0.1283	647,140,308
1000 TOTALS			

9000 - Portion of row 1000 for taxes paid into tax increment zone under chapter 311, tax code

Exhibit J-1

10 Beginning Balance 9/1/19	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/20
$ 1,075,498	$ -	$ 69,229	$ 7,988	$ (80,476)	$ 917,805
162,316	-	8,696	1,254	356	152,722
166,779	-	11,049	1,447	353	154,636
168,748	-	12,202	1,378	348	155,516
186,775	-	20,054	2,218	346	164,849
215,320	-	22,667	2,561	768	190,860
224,394	-	23,829	2,692	840	198,713
366,765	-	56,667	5,997	(116)	303,985
571,272	-	172,070	-	3,487	402,689
-	7,107,542	5,679,791	751,255	(21,507)	654,989
$ 3,137,867	$ 7,107,542	$ 6,076,254	$ 776,790	$ (95,601)	$ 3,296,764
		$ -	$ -		

Tarkington Independent School District **Exhibit J-2**

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual
National School Breakfast and Lunch Program
For the Fiscal Year Ended August 31, 2020

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Final	3 Actual	Variance with Final Budget Positive (Negative)
	REVENUES				
5700	Local and intermediate sources	$ 488,000	$ 349,000	$ 360,581	$ 11,581
5800	State program revenues	39,500	65,300	65,219	(81)
5900	Federal program revenues	705,000	588,600	589,997	1,397
5020	Total revenues	1,232,500	1,002,900	1,015,797	12,897
	EXPENDITURES				
	Current:				
0035	Food services	1,232,500	1,215,500	1,137,557	77,943
6030	Total expenditures	1,232,500	1,215,500	1,137,557	77,943
1200	Net change in fund balance	-	(212,600)	(121,760)	90,840
0100	Fund balance - beginning	463,083	463,083	463,083	-
3000	**FUND BALANCE - ENDING**	$ 463,083	$ 250,483	$ 341,323	$ 90,840

Tarkington Independent School District **Exhibit J-3**

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual
Debt Service Fund
For the Fiscal Year Ended August 31, 2020

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Final	3 Actual	Variance with Final Budget Positive (Negative)
	REVENUES				
5700	Local and intermediate sources	$ 763,588	$ 813,000	$ 820,069	$ 7,069
5800	State program revenues	-	-	23,818	23,818
5020	Total revenues	763,588	813,000	843,887	30,887
	EXPENDITURES				
	Debt Service:				
0071	Principal on long-term debt	485,000	485,000	485,000	-
0072	Interest on long-term debt	277,288	277,288	277,286	2
0073	Issuance costs and fees	1,300	1,300	1,300	-
6030	Total expenditures	763,588	763,588	763,586	2
1200	Net change in fund balance	-	49,412	80,301	30,889
0100	Fund balance - beginning	380,544	380,544	380,544	-
3000	**FUND BALANCE - ENDING**	$ 380,544	$ 429,956	$ 460,845	$ 30,889

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Overall Compliance, Internal Control Section and Federal Awards

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees of
Tarkington Independent School District
Cleveland, Texas

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tarkington Independent School District (the District) as of and for the fiscal year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 8, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

The Board of Trustees of
Tarkington Independent School District

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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
January 8, 2021

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

To the Board of Trustees of
Tarkington Independent School District
Cleveland, Texas

Report on Compliance for Each Major Federal Program

We have audited Tarkington Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the fiscal year ended August 31, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

The Board of Trustees of
Tarkington Independent School District

Report on Internal Control over Compliance

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

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

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

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
January 8, 2021

Tarkington Independent School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended August 31, 2020

Section 1. Summary of Auditor's Results

Financial Statements

1.	Type of auditor's report issued	Unmodified
2.	Internal control over financial reporting:	
	a. Material weakness(es) identified?	No
	b. Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
3.	Noncompliance material to the financial statements noted?	No

Federal Awards

4.	Internal control over major programs:	
	a. Material weakness(es) identified?	No
	b. Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
5.	Type of auditor's report issued on compliance with major programs	Unmodified
6.	Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No
7.	Identification major programs	10.553 and 10.555 Child Nutrition Cluster
8.	Dollar threshold used to distinguish between Type A and Type B federal programs	$750,000
9.	Auditee qualified as a low-risk auditee?	Yes

Section 2. Financial Statement Findings

None reported

Section 3. Federal Award Findings and Questioned Costs

None reported

Tarkington Independent School District
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended August 31, 2020

Prior Year Findings

None reported

Tarkington Independent School District **Exhibit K-1**

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended August 31, 2020

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Total Federal Expenditures
U.S. DEPARTMENT OF THE INTERIOR			
Passed Through Liberty County, TX:			
National Wildlife Refuge Fund	15.659	N/A	$ 8,246
TOTAL U.S. DEPARTMENT OF THE INTERIOR			8,246
U.S. DEPARTMENT OF THE HOMELAND SECURITY			
Passed Through Texas Dept. of Public Safety (TDEM Division):			
Disaster Grant - Public Assistance	97.036	4332-DR-TX	355
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			355
U.S. DEPARTMENT OF EDUCATION			
Passed through Texas Department of Education			
Title I, Part A - Improving Basic Programs	84.010A	20610101146907	392,795
Title I, 1003 School Improvement	84.010A	20610141146907	120,000
Total Title I Cluster			512,795
Career and Technical - Basic Grant	84.048A	20420006146907	29,038
Title V, Part B, Subpart 2, Rural and Low-Income School	84.358B	20696001146907	1,500
Title II, Part A - Supporting Effective Instruction	84.367A	20694501146907	40,176
Instructional Continuity Grant	84.377A	17610740146907	3,000
Title IV, Part A, Subpart 1	84.424A	20680101146907	32,070
COVID-19 – ESSER Grant	84.425D	20521001146907	367,551
Texas Hurricane Homeless Youth	84.938B	19513701146907	30,747
Special Education Cluster (IDEA):			
Passed Through Liberty ISD :			
IDEA - Part B Formula	84.027A	206600011469066600	18,035
Total Special Education Cluster (IDEA)			18,035
TOTAL U.S. DEPARTMENT OF EDUCATION			1,043,513
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Cluster:			
Passed Through Texas Department of Agriculture - Non-Cash Assistance:			
National School Lunch Program	10.555	806780706	76,146
Passed Through Texas Education Agency - Cash Assistance:			
School Breakfast Program	10.553	71402001	132,317
COVID-19 School Breakfast Program	10.553	71402001	15,814
National School Lunch Program	10.555	71302001	340,562
COVID-19 National School Lunch Program	10.555	71302001	25,158
Total Child Nutrition Cluster			589,997
TOTAL U.S. DEPARTMENT OF AGRICULTURE			589,997
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 1,633,510

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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Tarkington Independent School District

Notes to Schedule of Expenditures of Federal Awards

Note 1. Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Tarkington Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

National School Lunch Program non-cash commodities are recorded at their estimated market value at the time of donation.

Note 2. De Minimis Cost Rate

The District has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

Note 3. Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal awards per Exhibit K-1 and federal revenues reported on Exhibit C-2 of the annual financial report:

Total expenditures of federal awards per Exhibit K-1	$	1,633,510
General fund - federal revenue:		
School Health and Related Services (SHARS)		328,301
Total federal revenues per Exhibit C-2	$	1,961,811

Tarkington Independent School District **Exhibit L-1**

Schedule of Required Responses to
Selected School FIRST Indicators (Unaudited)
For the Fiscal Year Ended August 31, 2020

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