

PAINT CREEK
INDEPENDENT SCHOOL DISTRICT
HASKELL COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2020

**PAINT CREEK INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2020**

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CERTIFICATE OF BOARD

**Paint Creek
Independent School District**

Name of School District

Haskell

County

104907

County – District Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended **August 31, 2020**, at a meeting of the Board of Trustees of such school district on the **16th** day of **November, 2020**.


Signature of Board President


Signature of Board Secretary

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

James E. Rodgers and Company, P.C.

Certified Public Accountants

20 Southwest Third Street • PO Box 669 • Hamlin, Texas 79520 • Tel: 325-576-2356 • Fax: 325-576-3525

E-mail: rodgerscpa@att.net

Member of Texas Society of CPA's and American Institute of CPA's

Richard E. Rodgers CPA • Gerald L. Rodgers CPA

November 16, 2020

Report on Financial Statements Issued in Accordance with Government Auditing Standards and Accompanied by Required Supplementary Information, Supplementary Information, and Other Information

Independent Auditor's Report

To the Board of Trustees
Paint Creek Independent School District
Haskell, Texas 79521

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Paint Creek Independent School District's basic financial statements. The combining and individual non-major fund financial statements, and the Texas Education Agency required information in conformity with laws and regulations of the State of Texas in Exhibits J-1 through J-3, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the Texas Education Agency required information in conformity with laws and regulations of the state of Texas in Exhibits J-1 through J-3 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the Texas Education Agency required information are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2020, on our consideration of the Paint Creek Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Paint Creek Independent School District's internal control over financial reporting or on compliance. That report is an integral

James E. Rodgers and Company, P.C.

part of an audit performed in accordance with *Government Auditing Standards* in considering Paint Creek Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



James E. Rodgers and Company, P.C.



PAINT CREEK INDEPENDENT SCHOOL DISTRICT

4485 FM 600

Haskell, TX 79521

Cheryl Floyd, Ed.D.
Superintendent
Phone 940-864-2868

Ken Wallace
Principal
Fax 940-864-8038

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the administration of **Paint Creek Independent School District**, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2020. Please read it in conjunction with the independent auditor's report and the District's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

Highlights of Current Fiscal Year Finances

Government Wide Total Net Position at the End of the Year	\$	3,693,446
Government Wide Revenues for the Current Fiscal Year		3,070,689
Government Wide Expenses for the Current Fiscal Year		2,759,034
Fund Balance in the General Fund at the End of Year		2,297,221

Changes in the Government Wide Finances from the Previous Fiscal Year

	Increase (Decrease)	
	\$	%
<u>Change in Net Position:</u>		
Change in the Government Wide Total Net Position	\$ 312,675	9.25%
<u>Revenue Changes:</u>		
Change in the Government Wide Total Revenues	\$ 21,804	0.72%
Change in the Government Wide Property Tax Revenues	(90,352)	-4.11%
Change in the Government Wide State Aid Formula Grants	199,283	134.19%
Change in Operating Grants and Contributions	26,820	6.70%
<u>Expense Changes:</u>		
Change in the Government Wide Total Expenses	\$ 192,820	7.51%
<u>Other Information:</u>		
Change in General Fund Balance	\$ (212,817)	-8.48%
Excess (Deficit) of Actual Revenue over Budgeted Revenue	80,774	4.38%

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The government-wide financial statements distinguish functions of the District that are principally supported by taxes, intergovernmental revenues, and user fees & charges (*governmental activities*). The governmental activities of the District include the education of District students and the programs necessary to support such education.

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 three categories: governmental funds, proprietary 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 government'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 government'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 the comparison between *governmental funds* and *governmental activities*.

The District maintains numerous 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 as it is considered a major fund. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with this budget. Supplementary budgetary comparison schedules have also been prepared for the Child Nutrition and Debt Service Fund and are included in the other

supplementary information section of this report.

Proprietary funds. The District maintains proprietary funds. An *internal service fund* is an accounting device used to accumulate and allocate costs internally among the District’s various functions. The District uses this internal service fund to account for its workers compensation self-insurance program. Internal service funds are generally considered a *governmental activity* and are included in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District’s own programs. The District maintains student activity accounts as fiduciary funds.

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.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. In addition, certain information required by the Texas Education Agency and the federal government regarding tax collection and grant expenditures is also presented along with required supplementary information related to the District’s contributions to a cost-sharing pension plan with the Teacher Retirement System of Texas

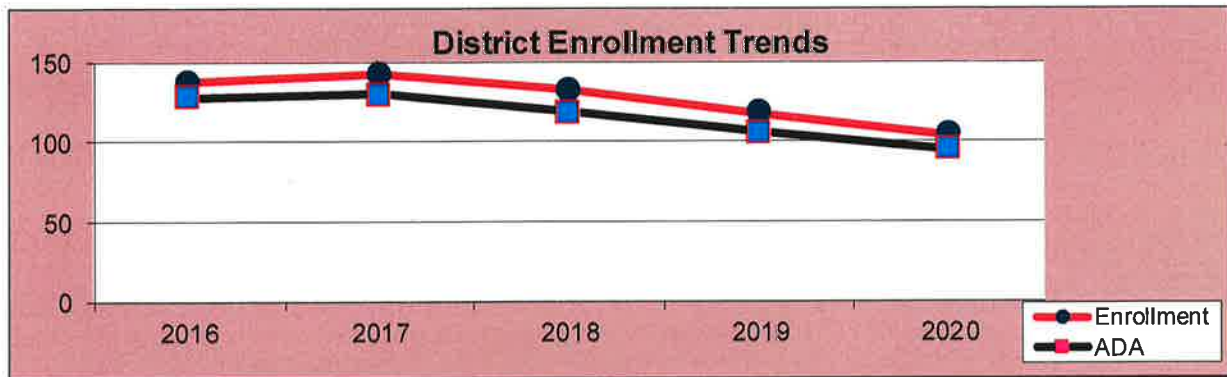
DISTRICT FINANCES

District operations are primarily funded from local property tax revenue and funding from the State of Texas under the foundation school program that provides funding to public school districts in the State of Texas.

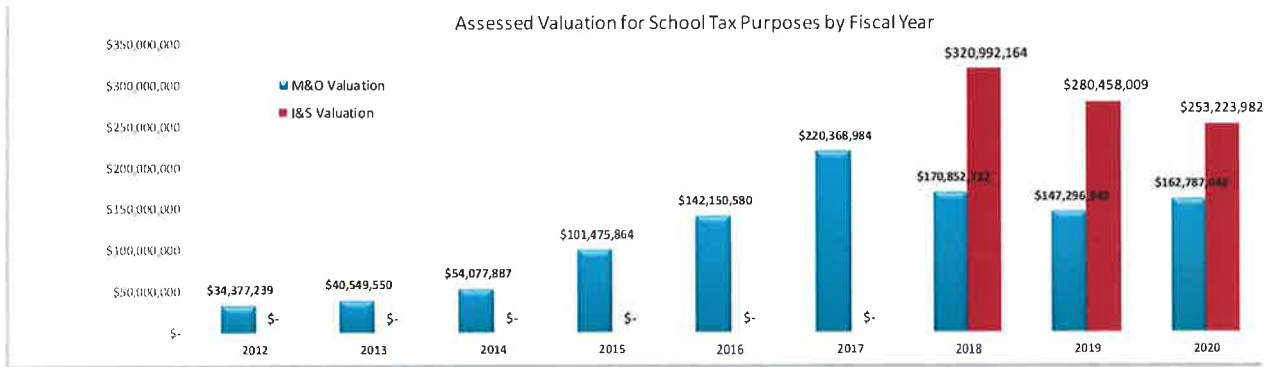
State funding in Texas is based upon the District’s average daily attendance, thus the District’s state revenue is highly dependent on enrollment trends. The District receives additional weighted funding for students enrolled in career and technology coursework, gifted and talented, special education, bilingual, and compensatory education programs. The demographics of the District continually change having an immediate impact on school finances. The following chart details the enrollment trends of the District.

ENROLLMENT TRENDS

Year	Enrollment	ADA
2016	137	128.1
2017	142	129.8
2018	132	118.3
2019	118	106.0
2020	104	95.0



The ability of the District to assess and generate property tax revenue depends on the valuation of property within the physical boundaries of the District. Following is a history of property valuation for tax purposes.



GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table indicates the net position at the end of the prior fiscal year and the current fiscal year.

Table I Net Position						
	Governmental Activities		Business-Type Activities		Totals	
	2019	2020	2019	2020	2019	2020
Current and other assets	\$ 2,767,727	\$ 2,995,972	\$ -	\$ -	\$ 2,767,727	\$ 2,995,972
Capital assets	5,658,671	5,536,526	-	-	5,658,671	5,536,526
Deferred outflow of resources	355,495	350,744	-	-	355,495	350,744
Total assets & deferred outflows	\$ 8,781,893	\$ 8,883,242	\$ -	\$ -	\$ 8,781,893	\$ 8,883,242
Long-term liabilities	\$ 3,849,885	\$ 3,360,513	\$ -	\$ -	\$ 3,849,885	\$ 3,360,513
Other current liabilities	97,252	313,987	-	-	97,252	313,987
Net pension liability	456,875	443,846	-	-	456,875	443,846
Net OPEB liability	663,567	637,348	-	-	663,567	637,348
Deferred inflow of resources	333,543	434,102	-	-	333,543	434,102
Total liabilities & deferred inflows	\$ 5,401,122	\$ 5,189,796	\$ -	\$ -	\$ 5,401,122	\$ 5,189,796
Net Position:						
Net Investment in Capital Assets	\$ 1,825,620	\$ 2,190,935	\$ -	\$ -	\$ 1,825,620	\$ 2,190,935
Restricted	124,248	227,121	-	-	124,248	227,121
Unrestricted	1,430,903	1,275,390	-	-	1,430,903	1,275,390
Total net position	\$ 3,380,771	\$ 3,693,446	\$ -	\$ -	\$ 3,380,771	\$ 3,693,446

The following table indicates the changes in net position for the current and prior fiscal years.

Table II						
Changes in Net Position						
	Governmental Activities		Business-Type Activities		Totals	
	2019	2020	2019	2020	2019	2020
Program Revenues:						
Charges for Services	\$ 16,326	\$ 14,844	\$ -	\$ -	\$ 16,326	\$ 14,844
Operating grants & contributions	400,392	427,212	-	-	400,392	427,212
General Revenues:						
Maintenance & operations taxes	1,577,100	1,555,277	-	-	1,577,100	1,555,277
Debt service taxes	618,642	550,113	-	-	618,642	550,113
State aid - formula grants	148,503	347,786	-	-	148,503	347,786
Grants & Contributions not restricted	466	-	-	-	466	-
Investment earnings	71,186	47,624	-	-	71,186	47,624
Miscellaneous	216,270	127,833	-	-	216,270	127,833
Total Revenues	\$ 3,048,885	\$ 3,070,689	\$ -	\$ -	\$ 3,048,885	\$ 3,070,689
Expenses						
Instruction, curriculum & related	\$ 1,127,353	\$ 1,325,460	\$ -	\$ -	\$ 1,127,353	\$ 1,325,460
Instructional & school leadership	107,930	120,554	-	-	107,930	120,554
Student support services	140,477	138,121	-	-	140,477	138,121
Food services	137,534	127,300	-	-	137,534	127,300
Extracurricular activities	107,704	75,957	-	-	107,704	75,957
General administration & related	344,912	499,098	-	-	344,912	499,098
Plant maintenance & security	276,053	289,867	-	-	276,053	289,867
Interest/Fees on long term debt	94,991	91,952	-	-	94,991	91,952
Intergovernmental/ business activities	229,260	90,725	-	-	229,260	90,725
Total Expenses	\$ 2,566,214	\$ 2,759,034	\$ -	\$ -	\$ 2,566,214	\$ 2,759,034
Increase in Net Position before transfers and special items	\$ 482,671	\$ 311,655	\$ -	\$ -	\$ 482,671	\$ 311,655
Prior Period Adjustments	-	1,020	-	-	-	1,020
Net position at 9/1	2,898,100	3,380,771	-	-	2,898,100	3,380,771
Total Net Position	\$ 3,380,771	\$ 3,693,446	\$ -	\$ -	\$ 3,380,771	\$ 3,693,446

Analysis of Change in Government Wide Net Position:

Excess of Revenues Over Expenditures for Governmental Funds	\$ (138,148)
Net Income (Loss) of Internal Service Funds	192
Current Year Purchases of Capital Assets	25,949
Current Year Debt Principal Payments	507,617
Depreciation	(201,094)
Other Modified to Full Accrual Revenue Adjustments	183,201
Net Adjustment to Pension Expense per GASB 68	(76,779)
Net Adjustments for OPEB Plan required by GASB 75	10,717
Change in Net Position of Governmental Activities	<u>\$ 311,655</u>

THE DISTRICT'S FUNDS

A financial summary of the District's funds for the current year is as follows:

Governmental Fund Financial Statements				
	General	Special	Debt	
	Fund	Revenue	Service	
		Funds	Fund	Total
Revenues	\$ 2,104,264	\$ 214,837	\$ 527,189	\$ 2,846,290
Expenditures	(2,276,470)	(256,218)	(451,750)	(2,984,438)
Other Financing Sources	-	40,611	-	40,611
Other Financing Uses	(40,611)	-	-	(40,611)
Net Change in Fund Balance	\$ (212,817)	\$ (770)	\$ 75,439	\$ (138,148)
Beginning Fund Balance	2,510,038	2,144	116,782	2,628,964
GASB 84 Reporting Change	-	1,020	-	1,020
Ending Fund Balance				
All Governmental Funds	\$ 2,297,221	\$ 2,394	\$ 192,221	\$ 2,491,836

The District did modify its budget during the year resulting in a net increase from the original adopted budget to the final amended budget. None of the amendments were considered significant. Exhibit G-1 details original and amended budget details by function.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the current fiscal year, the District had invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This year's major additions and the net change in total capital assets are as follows:

Door Access Control - Gym	\$	5,559
Door Access Control - Library		5,138
Elem Fencing & Gate		15,252
TOTAL	\$	25,949
Total Additions	\$	25,949
Total Deletions		-
Net Change	\$	25,949

Debt

The District's outstanding long-term debt as of the end of the current fiscal year is as follows:

	Interest Rate on Issue	Amounts Original Issue	Interest Current Year	Outstanding End of Year	Next Year's Total Principal and Interest Requirement
Series 2007 Lease Revenue Bonds	3.25%	497,320	12,934	275,705	43,016
Series 2007 Lease Revenue Bonds	3.25%	497,320	13,113	285,855	43,016
Series 2011 Lease Revenue Bonds	4.35%	218,973	11,202	153,286	18,270
Series 2017 Tax School Bonds	2.00-3.00%	3,530,000	81,550	2,120,000	410,250
2018 Blue Bird Bus Lease	2.99%	90,604	1,111	19,709	20,298
2016 Santander Bus Lease	3.80%	55,765	1,559	27,862	14,731
2017 Santander Bus Lease	2.75%	53,000	124	39,297	13,827
2011 Qualified School Construction Bond (QSCB) Tax Note	1.45%	510,000	4,914	319,847	30,296
Totals End of Year		\$ 5,452,982	\$ 126,507	\$ 3,241,561	\$ 593,703

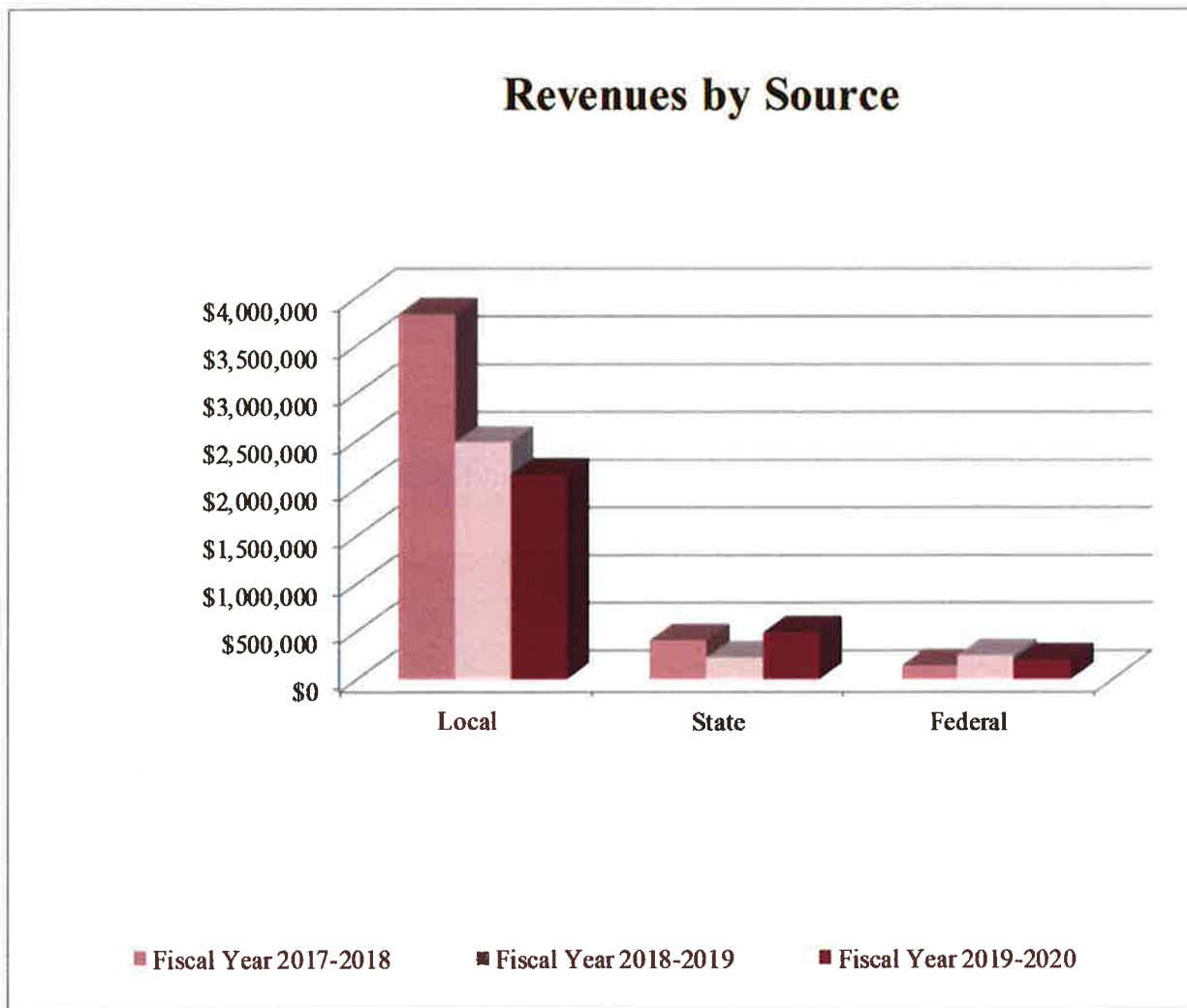
ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the subsequent fiscal year budget and tax rates. Expected student enrollment and property valuations for tax purposes were factors considered in projecting expected revenue and expenditures when adopting the budget for next year. A summary of the subsequent fiscal year budget for funds legally required to be budgeted is as follows:

Fiscal Year 2020 - 2021 Adopted Budget				
	General Fund	Child Nutrition Fund	Debt Service Fund	TOTALS
Revenues	\$ 2,003,724	\$ 119,989	\$ 507,353	\$ 2,631,066
Expenditures	(2,281,845)	(119,989)	(410,650)	(2,812,484)
Other Financing Sources	-	-	-	-
Other Financing Uses	-	-	-	-
Net Change in Fund Balance	\$ (278,121)	\$ -	\$ 96,703	\$ (181,418)
Beginning of Year Fund Balance	2,297,221	1,547	192,221	2,490,989
Projected End of Year Fund Balance	\$ 2,019,100	\$ 1,547	\$ 288,924	\$ 2,309,571

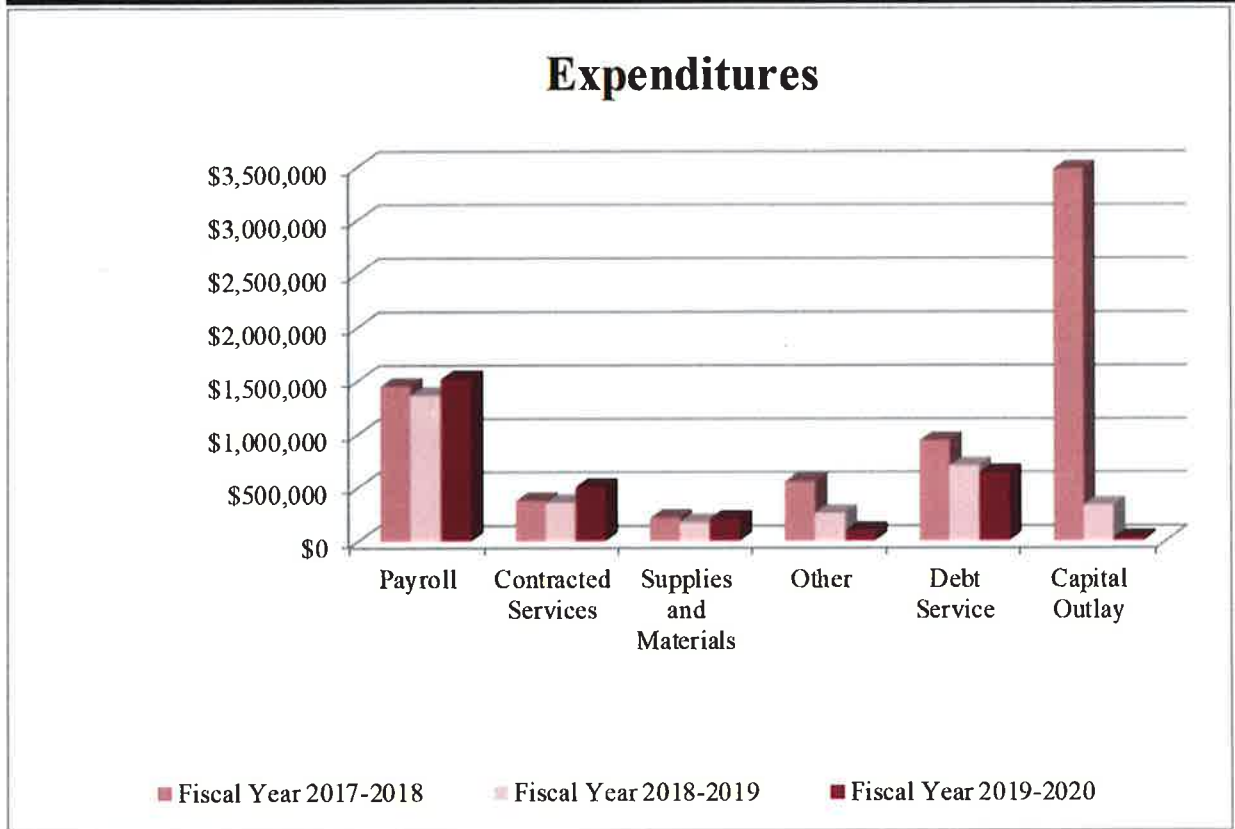
The following graph indicates the District's revenues by source for the last three years.

REVENUES BY SOURCE			
	Fiscal Year 2017-2018	Fiscal Year 2018-2019	Fiscal Year 2019-2020
ADA	118,342	105,973	95,007
Local	\$3,830,066	\$2,488,374	\$2,147,245
State	410,203	232,177	492,096
Federal	146,428	251,683	206,949
Total	\$4,386,697	\$2,972,234	\$2,846,290



The following graph indicates the District's by type for the last three years.

Expenditures By Type			
	Fiscal Year 2017-2018	Fiscal Year 2018-2019	Fiscal Year 2019-2020
Total Staff	30.77	30.73	29.53
Payroll	\$1,449,977	\$1,365,180	\$1,517,446
Contracted Services	377,001	360,606	504,492
Supplies and Materials	217,996	178,154	204,799
Other	554,258	263,582	97,427
Debt Service	937,824	702,697	634,324
Capital Outlay	3,477,428	334,775	25,949
Total	\$7,014,484	\$3,204,994	\$2,984,438



CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers, students and their parents, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at **Paint Creek Independent School District, 4485 FM 600, Haskell, Texas 79521; (940) 864-2471** or visit our website at <http://www.paintcreek.esc14.net>.

BASIC FINANCIAL STATEMENTS

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2020

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 1,614,857
1120 Current Investments	1,134,290
1220 Property Taxes - Delinquent	253,275
1230 Allowance for Uncollectible Taxes	(63,319)
1240 Due from Other Governments	53,482
1290 Other Receivables, Net	565
1410 Prepayments	2,822
Capital Assets:	
1510 Land	2,000
1520 Buildings, Net	5,236,990
1530 Furniture and Equipment, Net	297,536
1000 Total Assets	8,532,498
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	256,418
1706 Deferred Outflow Related to TRS OPEB	94,326
1700 Total Deferred Outflows of Resources	350,744
LIABILITIES	
2110 Accounts Payable	6,111
2150 Payroll Deductions and Withholdings	2,566
2160 Accrued Wages Payable	75,220
2180 Due to Other Governments	223,161
2200 Accrued Expenses	6,929
Noncurrent Liabilities:	
2501 Due Within One Year	499,861
2502 Due in More Than One Year	2,860,652
2540 Net Pension Liability (District's Share)	443,846
2545 Net OPEB Liability (District's Share)	637,348
2000 Total Liabilities	4,755,694
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	77,656
2606 Deferred Inflow Related to TRS OPEB	356,446
2600 Total Deferred Inflows of Resources	434,102
NET POSITION	
3200 Net Investment in Capital Assets	2,190,935
3820 Restricted for Federal and State Programs	1,547
3850 Restricted for Debt Service	225,574
3900 Unrestricted	1,275,390
3000 Total Net Position	\$ 3,693,446

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

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT B-1

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	1	3	4	6
Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 1,299,196	\$ -	\$ 263,332	\$ (1,035,864)
12 Instructional Resources and Media Services	17,215	-	1,955	(15,260)
13 Curriculum and Instructional Staff Development	9,049	-	1,716	(7,333)
23 School Leadership	120,554	-	13,944	(106,610)
31 Guidance, Counseling and Evaluation Services	53,993	-	6,355	(47,638)
33 Health Services	6,450	-	-	(6,450)
34 Student (Pupil) Transportation	77,678	-	3,287	(74,391)
35 Food Services	127,300	5,284	76,615	(45,401)
36 Extracurricular Activities	75,957	3,435	1,672	(70,850)
41 General Administration	444,274	-	14,264	(430,010)
51 Facilities Maintenance and Operations	283,105	6,125	29,408	(247,572)
52 Security and Monitoring Services	6,762	-	10,697	3,935
53 Data Processing Services	54,824	-	3,967	(50,857)
72 Debt Service - Interest on Long-Term Debt	91,752	-	-	(91,752)
73 Debt Service - Bond Issuance Cost and Fees	200	-	-	(200)
91 Contracted Instructional Services Between Schools	56	-	-	(56)
93 Payments Related to Shared Services Arrangements	35,208	-	-	(35,208)
99 Other Intergovernmental Charges	55,461	-	-	(55,461)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 2,759,034	\$ 14,844	\$ 427,212	(2,316,978)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	1,555,277
DT	Property Taxes, Levied for Debt Service	550,113
SF	State Aid - Formula Grants	347,786
IE	Investment Earnings	47,624
MI	Miscellaneous Local and Intermediate Revenue	127,833
TR	Total General Revenues	2,628,633
CN	Change in Net Position	311,655
NB	Net Position - Beginning	3,380,771
PA	Prior Period Adjustment - GASB 84 Reporting	1,020
NE	Net Position - Ending	\$ 3,693,446

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

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2020

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 1,509,141	\$ 101,414	\$ 4,110	\$ 1,614,665
1120 Investments - Current	1,044,387	89,903	-	1,134,290
1220 Property Taxes - Delinquent	211,354	41,921	-	253,275
1230 Allowance for Uncollectible Taxes	(52,839)	(10,480)	-	(63,319)
1240 Due from Other Governments	39,067	904	13,511	53,482
1260 Due from Other Funds	4,827	-	-	4,827
1290 Other Receivables	565	-	-	565
1410 Prepayments	2,822	-	-	2,822
1000 Total Assets	<u>\$ 2,759,324</u>	<u>\$ 223,662</u>	<u>\$ 17,621</u>	<u>\$ 3,000,607</u>
LIABILITIES				
2110 Accounts Payable	\$ 6,111	\$ -	\$ -	\$ 6,111
2150 Payroll Deductions and Withholdings Payable	2,566	-	-	2,566
2160 Accrued Wages Payable	65,305	-	9,915	75,220
2170 Due to Other Funds	5,151	-	4,827	9,978
2180 Due to Other Governments	223,161	-	-	223,161
2200 Accrued Expenditures	1,293	-	485	1,778
2000 Total Liabilities	<u>303,587</u>	<u>-</u>	<u>15,227</u>	<u>318,814</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	158,516	31,441	-	189,957
2600 Total Deferred Inflows of Resources	<u>158,516</u>	<u>31,441</u>	<u>-</u>	<u>189,957</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	1,547	1,547
3480 Retirement of Long-Term Debt	-	192,221	-	192,221
Committed Fund Balance:				
3510 Facilities Improvements	125,000	-	-	125,000
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	847	847
3600 Unassigned Fund Balance	2,172,221	-	-	2,172,221
3000 Total Fund Balances	<u>2,297,221</u>	<u>192,221</u>	<u>2,394</u>	<u>2,491,836</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,759,324</u>	<u>\$ 223,662</u>	<u>\$ 17,621</u>	<u>\$ 3,000,607</u>

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

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 AUGUST 31, 2020

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	2,491,836
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance for workers compensation, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		192
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets less the accumulated depreciation increases net position. In addition, long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		1,808,786
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current fiscal year capital outlays and debt principal payments is to decrease net position.		533,566
4 Recognition of the GASB 68 reporting requirements for the District's pension plan through TRS requires that additional items be reported in the government-wide statements. The District's share of the TRS pension plan resulted in a net pension liability, a deferred outflow related to the TRS pension, and a deferred inflow related to the TRS pension. This resulted in a reduction of reported ending net position.		(265,084)
5 Recognition of the GASB 75 reporting requirements for the District's OPEB plan through TRS-Care requires that additional items be reported in the government-wide statements.. The District's share of the TRS-Care plan resulted in a net OPEB liability, a deferred outflow related to TRS OPEB, and a deferred inflow related to TRS OPEB. This resulted in a reduction of reported ending net position.		(899,468)
6 The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(201,094)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of long-term debt issues as an increase in long-term liabilities, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		224,712
19 Net Position of Governmental Activities	\$	3,693,446

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

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,615,002	\$ 526,959	\$ 5,284	\$ 2,147,245
5800 State Program Revenues	437,636	230	54,230	492,096
5900 Federal Program Revenues	51,626	-	155,323	206,949
5020 Total Revenues	<u>2,104,264</u>	<u>527,189</u>	<u>214,837</u>	<u>2,846,290</u>
EXPENDITURES:				
Current:				
0011 Instruction	978,921	-	108,090	1,087,011
0012 Instructional Resources and Media Services	15,973	-	-	15,973
0013 Curriculum and Instructional Staff Development	7,566	-	970	8,536
0023 School Leadership	111,145	-	-	111,145
0031 Guidance, Counseling, and Evaluation Services	49,462	-	-	49,462
0033 Health Services	6,450	-	-	6,450
0034 Student (Pupil) Transportation	44,767	-	-	44,767
0035 Food Services	2,725	-	118,084	120,809
0036 Extracurricular Activities	43,245	-	173	43,418
0041 General Administration	426,003	-	-	426,003
0051 Facilities Maintenance and Operations	258,668	-	18,204	276,872
0052 Security and Monitoring Services	5,966	-	10,697	16,663
0053 Data Processing Services	52,280	-	-	52,280
Debt Service:				
0071 Principal on Long-Term Debt	137,617	370,000	-	507,617
0072 Interest on Long-Term Debt	44,957	81,550	-	126,507
0073 Bond Issuance Cost and Fees	-	200	-	200
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	56	-	-	56
0093 Payments to Fiscal Agent/Member Districts of SSA	35,208	-	-	35,208
0099 Other Intergovernmental Charges	55,461	-	-	55,461
6030 Total Expenditures	<u>2,276,470</u>	<u>451,750</u>	<u>256,218</u>	<u>2,984,438</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(172,206)</u>	<u>75,439</u>	<u>(41,381)</u>	<u>(138,148)</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	40,611	40,611
8911 Transfers Out (Use)	(40,611)	-	-	(40,611)
7080 Total Other Financing Sources (Uses)	<u>(40,611)</u>	<u>-</u>	<u>40,611</u>	<u>-</u>
1200 Net Change in Fund Balances	(212,817)	75,439	(770)	(138,148)
0100 Fund Balance - September 1 (Beginning)	2,510,038	116,782	2,144	2,628,964
1300 Prior Period Adjustment - GASB 84 Reporting	-	-	1,020	1,020
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,297,221</u>	<u>\$ 192,221</u>	<u>\$ 2,394</u>	<u>\$ 2,491,836</u>

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

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	(138,148)
<p>The District uses internal service funds to charge the costs of certain activities, such as self-insurance for workers compensation insurance, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.</p>		
		192
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current fiscal year capital outlays and debt principal payments is to decrease net position.</p>		
		533,566
<p>Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.</p>		
		(201,094)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.</p>		
		183,201
<p>Current year changes due to GASB 68 increased revenues, but also increased expenditures. The net effect on the change in the ending net position was a decrease in the change in net position.</p>		
		(76,779)
<p>GASB 75 requires that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease the change in net position. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position. The net result is an increase in the change in net position.</p>		
		10,717
Change in Net Position of Governmental Activities	\$	311,655

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

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2020

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 192
Due from Other Funds	<u>5,151</u>
Total Assets	<u>5,343</u>
LIABILITIES	
Current Liabilities:	
Accrued Expenses	<u>5,151</u>
Total Liabilities	<u>5,151</u>
NET POSITION	
Restricted for Other Purposes	<u>192</u>
Total Net Position	<u><u>\$ 192</u></u>

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

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2020

	Governmental Activities -	
	Internal Service Fund	
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 1,054	
Total Operating Revenues	1,054	
OPERATING EXPENSES:		
Payroll Costs	862	
Total Operating Expenses	862	
Operating Income	192	
Total Net Position - September 1 (Beginning)	-	
Total Net Position - August 31 (Ending)	\$ 192	

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

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Assessments - Other Funds	\$ 850
Cash Payments for Insurance Claims	(862)
Net Cash Used for Operating Activities	(12)
Net Decrease in Cash and Cash Equivalents	(12)
Cash and Cash Equivalents at Beginning of Year	204
Cash and Cash Equivalents at End of Year	\$ 192
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income:	\$ 192
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	1,213
Increase (decrease) in Accrued Claims Liability	(1,417)
Net Cash Used for Operating Activities	\$ (12)
<u>Reconciliation of Total Cash and Cash Equivalents:</u>	
Cash and Cash Equivalents on Balance Sheet	\$ 192
Pooled Cash and Cash Equivalents on Balance Sheet	-
Total Cash and Cash Equivalents	\$ 192

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

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2020

	Private Purpose Trust Fund	Custodial Fund
ASSETS		
Cash and Cash Equivalents	\$ 12,787	\$ 22,272
Total Assets	<u>12,787</u>	<u>22,272</u>
NET POSITION		
Restricted for Scholarships	12,787	-
Restricted - Held for Student Activities	-	22,272
Total Net Position	<u>\$ 12,787</u>	<u>\$ 22,272</u>

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

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

	Private Purpose Trust Fund	Custodial Fund
ADDITIONS:		
Student Activity Revenues	\$ -	\$ 35,026
Contributions, Gifts and Donations	4,300	-
Total Additions	<u>4,300</u>	<u>35,026</u>
DEDUCTIONS:		
Student Activity Expenses	-	31,733
Other Deductions	3,128	-
Total Deductions	<u>3,128</u>	<u>31,733</u>
Change in Fiduciary Net Position	1,172	3,293
Total Net Position - September 1 (Beginning)	<u>11,615</u>	<u>18,979</u>
Total Net Position - August 31 (Ending)	<u>\$ 12,787</u>	<u>\$ 22,272</u>

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

**PAINT CREEK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Paint Creek Independent School District (the "District") a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District also complies with the requirements of the appropriate version of Texas Education Agency's Financial Accountability System Resource Guide (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District applies current GASB criteria to potential component units and other related entities in evaluating the potential inclusion in the reporting entity. The criteria for inclusion in the reporting entity involves whether the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits or to impose specific financial burdens on the District such that exclusion of such information would cause the District's financial statements to be incomplete. For the current fiscal year, the reporting entity of the District does not include any component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Paint Creek Independent School District non-fiduciary activities with most of the inter-fund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

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

Inter-fund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All inter-fund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Inter-fund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as inter-fund transfers. Inter-fund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

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

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year-end.

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

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

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

D. FUND ACCOUNTING

The District reports the following major governmental funds:

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

Debt Service Fund – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund. The fund was a major fund under governmental reporting standards for the current fiscal year.

The District does not maintain major enterprise funds.

Additionally, the District reports the following fund type(s):

Governmental Funds:

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

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

Capital Projects Funds – Proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund when applicable.

Proprietary Funds:

Enterprise Funds – The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund when applicable.

Internal Service Funds – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis (such as workers’ compensation) are accounted for in an internal service fund when applicable.

Fiduciary Funds:

Private Purpose Trust Funds – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. When applicable, the District maintains a private purpose trust fund to provide scholarships for students that have graduated from the District.

Custodial Funds – The District accounts for resources held for others in a custodial capacity in agency funds including funds used to account for student activities.

Transactions between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to / from other funds”. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included in the governmental activities column. Similarly, balances between the funds included in any business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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 the 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 so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have maturity of three months or less when purchased.
2. The District reports inventories of supplies using the first-in, first-out inventory cost method. The supplies include consumable maintenance, instructional, office, athletic, and transportation items. Under the purchase method, supplies are recorded as expenditures when they are purchased. Inventories of food commodities are recorded at market values supplied by the Department of Agriculture. Although commodities are received at no cost, their fair market value is supplied by the Department of Agriculture and recorded as revenue and expenditures when received. Material inventories (if any) including food commodities are recorded as an asset and a corresponding amount of expenditures are reduced at year-end. The District had no material inventory amounts at the end of the current fiscal year.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as current period expenditures.

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

4. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
5. Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

ASSETS	YEARS
Buildings	40
Buildings and Improvements	40
Infrastructure	40
Vehicles	10
Office Equipment	10
Computer Equipment	10

6. Since Internal Service Funds in the District support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.
7. Restricted assets, if applicable, of the District are limited to cash and certificates of deposit which have been gifted to the District with the stipulation that only the earnings are available for current and future scholarship recipients.
8. The District participates in a self-funded workers' compensation program which executes an inter-local agreements that defines the responsibilities of the parties. The program provides statutory workers' compensation benefits to its members and their injured employees.

9. Net Position and Fund Balances:

Government-wide and Proprietary Fund Net Position:

Government-wide and proprietary fund net position is divided into three components:

- Net investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position—consist of assets that are restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

Governmental Fund Balances:

In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable—Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted—Amounts that can be spent only for specific purposes because of the District's state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed—Amounts that can be used only for specific purposes determined by a formal action by Board of Trustees' ordinance.
- Assigned—Amounts that are designated by the Superintendent for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by the Board of Trustees.
- Unassigned—All amounts not included in other spendable classification

10. Use of Restricted Resources: When an expenditure/expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expenditure/expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.
11. The District applies Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Market Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.
12. Investment income reported in one fund has not been assigned directly to another fund by the District.
13. The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide database for policy development and funding plans.
14. Deferred Outflows of Resources: The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. No deferred outflows of resources affect the governmental funds financial statements in the current year. Deferred outflows of resources

related to pension and other post-employment benefits reporting is presented in the government wide statements.

15. **Deferred Inflow of Resources:** The District's governmental funds report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future periods. The District will not recognize the related revenues until a future event occurs. The District reports various types of items which occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. Deferred property taxes and grants are reported in the governmental funds balance sheet. A deferred inflow related to pension and other post-employment benefits reporting is presented in the government wide statements.
16. **Pensions:** The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
17. The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resource measurement focus and full accrual basis of accounting. This includes for purposes of measuring the new OPEB liability, deferred outflows of resources and deferred inflows or resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

Capital Assets - Beginning of Year	Historical Cost	Accumulated Depreciation	Net Book Value at Beginning of Year	Change in Net Position
Land	\$ 2,000	\$ -	\$ 2,000	
Buildings and Improvements	6,547,340	(1,177,859)	5,369,481	
Furniture and Equipment	527,773	(187,583)	340,190	
Change in Net Position				\$ 5,711,671
Long-term Liabilities at the Beginning of the Year			Payable at Beginning of Year	
General Obligation Bonds			\$ 2,490,000	
Tax Notes & Revenue Bonds			1,127,127	
Capital Leases			132,051	
Accrued Interest - Bonds, Notes, and Capital Leases			16,834	
Unamortized Premium (Discount)			136,873	
Change in Net Position				3,902,885
Net Adjustment to Net Position				\$ 1,808,786

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position shown in Exhibit C-2 and Exhibit C-4. The details of this adjustment are as follows:

Amount	Adjustments To Changes in Net	Adjustments to Net Position
Current Year Capital Outlay:		
Buildings & Improvements	\$ 25,949	
Total Capital Outlay	25,949	25,949
Debt Principal Payments:		
Bond Principal	370,000	
Tax Notes & Revenue Bonds	92,434	
Capital Lease Payments	45,183	
Total Principal Payments	507,617	507,617
Total Adjustment to Net Position	\$ 533,566	\$ 533,566

Another element of the reconciliation on Exhibits C-2 and C-4 are described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details of this adjustment are as follows:

	Amount	Adjustments to Change in Net Position	Adjustments to Net Position
<u>Adjustments to Revenue, Unearned Revenue, Beginning Net Position:</u>			
Begin year unearned property tax revenue	\$ 41,511	\$ -	\$ 41,511
Modified to Full Accrual Property Tax Adjustments	148,446	148,446	148,446
Other Revenue Adjustments	-	-	-
<u>Reclassify Proceeds of Bonds, Loans & Capital Leases:</u>			
Long-term debt proceeds	-	-	-
<u>Adjust Expenditures to Full Accrual From Modified</u>			
Unamortized Premium (Discount) on Bonds	32,843	32,843	32,843
Adjust Interest Expense to Full Accrual Basis	1,912	1,912	1,912
Totals		\$ 183,201	\$ 224,712

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

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

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
- Prior to September 1, the budget is legally enacted through passage of a resolution by the board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. None of those amendments were significant.
- Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as adopted and amended by the Board of Trustees. All budget appropriations lapse at year-end. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

	End of Year Fund Balance
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 1,547
Non-appropriated Budget Funds	847
All Special Revenue Funds	\$ 2,394

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Budget accountability and compliance details are disclosed in Section C of the Notes to Required Supplemental Information.

C. DEFICIT FUND EQUITY

The District did not incur a deficit fund balance in any fund during the current fiscal year.

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

The carrying amount of the District's cash and temporary investments at the end of the fiscal year follows:

Cash and Cash Equivalents by Type	End of Fiscal Year
Cash Deposits in Bank	\$ 1,649,916
Certificates of Deposit Maturity to 3 months	-
Total Cash and Cash Equivalents by Account Type	\$ 1,649,916
Cash and Cash Equivalents by Fund:	End of Fiscal Year
Cash and Cash Equivalents:	
General Fund	\$ 1,509,141
Major Governmental Funds	101,414
Non-Major Governmental Funds	4,110
Cash and Investments - Enterprise	
Internal Service Funds	192
Custodial Fund	22,272
Scholarship Funds	12,787
Total Cash and Cash Equivalents by Fund	\$ 1,649,916

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits: State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. The District's cash deposits subject to custodial credit risk at the date of the highest cash balance and at year end were:

Custodial Credit Risk	Highest Cash Balance	End of Fiscal Year
Name of Depository Bank: Vista Bank		
Total amount of FDIC Insurance (FDIC)	\$ 500,000	\$ 500,000
Securities Pledged	2,905,847	543,469
Letters of Credit	3,500,000	3,500,000
Total FDIC, Bond or Securities Pledged	\$ 6,905,847	\$ 4,543,469
Cash Deposits and Cash Investments in Bank	\$ 3,727,461	\$ 2,392,407
Excess or (Shortage) of Deposits compared to FDIC and Letter of Credit	\$ 3,178,386	\$ 2,151,062
The District's cash deposits were entirely covered by FDIC insurance, letters of credit, or other pledged securities by the Depository	YES	YES

Foreign Currency Risk: The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by limiting all deposits denominated in a foreign currency.

Investments

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the

bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for the District are specified below:

Credit Risk: To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments in commercial paper, corporate bonds, and mutual bond funds to the top 2 or 3 ratings issued by nationally recognized statistical rating organizations (NRSROs). As of the current fiscal year, the district's investments were rated by Standard & Poor's, Fitch Ratings, etc.

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

Concentration of Credit Risk: To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer to 20% when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government.

Interest Rate Risk: To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

Foreign Currency Risk for Investments: The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by avoiding all investments denominated in a foreign currency.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The *Texpool* investment pool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, the investment pool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less and weighted average lives of 120 days or less, investments held are highly rated by nationally recognized statistical rating organizations, have no more than 5% of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. Texpool has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity. Texpool is subject to regulatory oversight by the State Treasurer, although it is not registered with the Securities and Exchange Commission.

As of the end of the current fiscal year, the District had the following investments:

Investments	End of Fiscal Year Value	Fair Value Measurements Using			Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk	
		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)				Significant Unobservable Inputs (Level 3)
		\$	\$					
Investments measured at amortized cost -								
Investment pools:								
Texpool	\$ 723,677	\$ -	\$ -	\$ -	63.80%	38 AAAm*		
Investments measured by fair value level -								
Certificates of Deposit	410,613	-	410,613	-	36.20%	390 3BB+ to AA-		
Total Investments	\$ 1,134,290	\$ -	\$ 410,613	\$ -	100.00%			

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND BALANCES AND TRANSFERS

Inter-fund balances at year-end consisted of the following amounts:

FUND	Due From Other Funds	Due To Other Funds
<u>General Fund:</u>		
Major Governmental Funds	\$ -	\$ -
Non-major Governmental Funds	4,827	-
Internal Service Funds	-	5,151
Total General Fund	<u>\$ 4,827</u>	<u>\$ 5,151</u>
<u>Non-major Governmental Funds:</u>		
General Fund	\$ -	\$ 4,827
Other Major Governmental Funds	-	-
Internal Service Funds	-	-
All Others	-	-
Total Non-major Governmental Funds	<u>\$ -</u>	<u>\$ 4,827</u>
<u>Internal Service Funds:</u>		
General Fund	\$ 5,151	\$ -
Major Governmental Fund	-	-
Non-major Governmental Funds	-	-
All Others	-	-
Total Internal Service Funds	<u>\$ 5,151</u>	<u>\$ -</u>
Total Interfund Receivables / Payables	<u>\$ 9,978</u>	<u>\$ 9,978</u>

The purpose of the interfund receivables and payables are as follows:

- The \$5,151 receivable / payable between the General Fund and the Internal Service Fund represents the unfunded amount of workers compensation incurred but not reported or paid claims liabilities in the Internal Service Fund as of the end of year. The District's policy is to actually fund the payment of the workers compensation claims when payment is requested by the external claims administrator. Repayment has not been scheduled for the subsequent year.
- The \$4,827 receivable / payable between the General Fund and non-major governmental funds represents short-term advances of funds pending cost reimbursements to be received from other governmental agencies. These advances resulted from pooled cash accounts.

Inter-fund transfers for the current year-end consisted of the following individual amounts:

FUND	Transfers In	Transfers Out
General Fund:		
Major Governmental Funds	\$ -	\$ -
Non-Major Governmental Funds	-	40,611
All Others	-	-
Total General Fund	<u>\$ -</u>	<u>\$ 40,611</u>
Non-Major Governmental Funds:		
General Fund	\$ 40,611	\$ -
Other Major Governmental Funds	-	-
All Others	-	-
Total Non-Major Governmental Funds	<u>\$ 40,611</u>	<u>\$ -</u>
Total Interfund Transfers	<u>\$ 40,611</u>	<u>\$ 40,611</u>

The purposes of the interfund transfers were as follows:

- \$40,611 was transferred from the General Fund to the Food Service Fund to supplement operating costs in excess of reimbursements received from the National School Breakfast and Lunch programs and food sales revenues.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at year-end were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
<u>Governmental Activities:</u>					
General Fund	\$ 211,354	\$ 39,067	\$ 4,827	\$ 565	\$ 255,813
Other Major Governmental Funds	41,921	904	-	-	42,825
Non-major Governmental Funds	-	13,511	-	-	13,511
Internal Service Funds	-	-	5,151	-	5,151
Total Governmental Activities	<u>\$ 253,275</u>	<u>\$ 53,482</u>	<u>\$ 9,978</u>	<u>\$ 565</u>	<u>\$ 317,300</u>
Amounts not scheduled for collection during subsequent year	\$ -	\$ -	\$ -	\$ -	\$ -

Payables at year-end were as follows:

	Accrued					Total	
	Accounts Payable	Salaries and Withholdings Payable	Due To Other Funds	Accrued Benefits Payable	Due To Other Govt.	Other	Payables
<u>Governmental Activities:</u>							
General Fund	\$ 6,111	\$ 67,871	\$ 5,151	\$ 1,293	\$ 223,161	-	\$ 303,587
Non-major Governmental Funds	-	9,915	4,827	485	-	-	15,227
Internal Service Funds	-	-	-	-	-	5,151	5,151
Total Governmental Type Activities	<u>\$ 6,111</u>	<u>\$ 77,786</u>	<u>\$ 9,978</u>	<u>\$ 1,778</u>	<u>\$ 223,161</u>	<u>\$ 5,151</u>	<u>\$ 323,965</u>
Amounts not scheduled for payment during subsequent year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the current year was as follows:

Primary Government				
	Beginning Balance	Additions	Retirements (Adjustments)	Ending Balance
Governmental Activities:				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 2,000	\$ -	\$ -	\$ 2,000
Construction In Progress	-	-	-	-
<u>Capital Assets Being Depreciated:</u>				
Buildings and Improvements	6,547,340	25,949	-	6,573,289
Furniture and Equipment	527,773	-	-	527,773
Infrastructure	-	-	-	-
Totals at Historic Cost	\$ 7,077,113	\$ 25,949	\$ -	\$ 7,103,062
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 1,177,859	\$ 158,440	\$ -	\$ 1,336,299
Furniture and Equipment	187,583	42,654	-	230,237
Infrastructure	-	-	-	-
Total Accumulated Depreciation	\$ 1,365,442	\$ 201,094	\$ -	\$ 1,566,536
Governmental Activities Capital Assets-Net				
	\$ 5,711,671	\$ (175,145)	\$ -	\$ 5,536,526
Depreciation expense was charged to governmental functions as follows:				
Instruction				\$ 121,565
Student (Pupil) Transportation				30,796
Food Services				1,516
Cocurricular/Extracurricular Activities				31,178
General Administration				1,458
Plant Maintenance and Operations				13,285
Security and Monitoring Services				1,296
Total Depreciation Expense				\$ 201,094

The District has no capital assets that are not being depreciated as of the current fiscal year end except for land and construction in progress as previously disclosed.

G. SHORT-TERM DEBT PAYABLE

The District accounts for short-term debts for maintenance purposes through the General Fund. Short-term debts include notes made in accordance with the provisions of the Texas Education Code Section 45.108. The proceeds from loans are shown in the governmental fund financial statements as Other Resources and principal payments are shown as Other Uses. The District had no short-term debt payable at any time during the current year.

H. BONDS, CAPITAL LEASES, AND OTHER LONG-TERM DEBT PAYABLE

Long-term debt activity of the District during the current fiscal year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Bonds	\$ 2,490,000	\$ -	\$ 370,000	2,120,000	\$ 340,000
Premium on Bond Issuance	136,873	-	32,843	104,030	
Tax Notes & Lease Revenue Bonds	1,127,127	-	92,434	1,034,693	98,812
Capital Leases	132,051	-	45,183	86,868	46,127
Total Bonds and Notes Payable	\$ 3,886,051	\$ -	\$ 540,460	\$ 3,345,591	\$ 484,939
Other Liabilities:					
Compensated Absences	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Interest Payable	\$ 16,834	\$ 124,595	\$ 126,507	\$ 14,922	\$ 14,922
Total Other Liabilities	\$ 16,834	\$ 124,595	\$ 126,507	\$ 14,922	\$ 14,922
Total Governmental Activities Long-Term Liabilities	\$ 3,902,885	\$ 124,595	\$ 666,967	\$ 3,360,513	\$ 499,861

Individual long-term debt issues by type are as follows:

Debt Payable - Governmental Activities:

Description	Interest Rate	Original Issue	Interest Current Year	Begin Year Balance	Additions	Reductions	End of Fiscal Year Balance
General Obligation Bonds:							
2017 Building Bonds	2.0% - 3.0%	\$ 3,530,000	\$ 81,550	\$ 2,490,000	\$ -	\$ 370,000	\$ 2,120,000
Total General Obligation Bonds			\$ 81,550	\$ 2,490,000	\$ -	\$ 370,000	\$ 2,120,000
Premium on Bond Issuance				\$ 136,873	\$ -	\$ 32,843	\$ 104,030
Tax Notes and Revenue Bonds							
QSCB Tax Note - Dalhart Federal	1.45%	\$ 510,000	\$ 4,914	\$ 345,229	\$ -	\$ 25,382	\$ 319,847
Revenue Bonds - Wellington State	4.25%	497,320	13,113	315,757	-	29,902	285,855
Revenue Bonds - Wellington State	4.75%	218,973	11,202	160,354	-	7,068	153,286
Revenue Bonds - Wellington State	4.25%	497,320	12,934	305,787	-	30,082	275,705
Total Tax Notes and Lease Revenue Bonds			\$ 42,163	\$ 1,127,127	\$ -	\$ 92,434	\$ 1,034,693
Capital Leases:							
2018 Bus-Governmental Capital	2.99%	\$ 90,604	\$ 1,111	\$ 38,017	\$ -	\$ 18,308	\$ 19,709
2016 Bus-Santander	3.80%	55,765	1,559	41,034	-	13,172	27,862
2017 Bus - Santander	2.75%	53,000	124	53,000	-	13,703	39,297
Total Capital Leases			\$ 2,794	\$ 132,051	\$ -	\$ 45,183	\$ 86,868
Total Long-Term Debt Payable - Governmental Activities			\$ 126,507	\$ 3,886,051	\$ -	\$ 540,460	\$ 3,345,591

The following table summarizes the future annual debt service requirements of the District's long-term debt as of the end of the current fiscal year:

	General Obligation Bonds		Tax Notes & Revenue Bonds		Capital Leases		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 340,000	\$ 70,250	\$ 98,812	\$ 35,785	\$ 46,127	\$ 2,729	\$ 484,939	\$ 108,764
2022	325,000	56,650	106,673	31,397	27,287	1,271	458,960	89,318
2023	320,000	43,650	110,552	27,518	13,454	373	444,006	71,541
2024	305,000	34,050	114,576	23,495	-	-	419,576	57,545
2025	300,000	24,900	118,800	19,270	-	-	418,800	44,170
2026-2030	530,000	22,800	422,750	38,229	-	-	952,750	61,029
2031-2035	-	-	62,530	1,575	-	-	62,530	1,575
2036-2040	-	-	-	-	-	-	-	-
Subsequent	-	-	-	-	-	-	-	-
Totals	\$ 2,120,000	\$ 252,300	\$ 1,034,693	\$ 177,269	\$ 86,868	\$ 4,373	\$ 3,241,561	\$ 433,942

In prior years, the District has not defeased general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, no trust account assets and liabilities for the defeased bonds exist and none are included in the District's financial statements.

There are a number of limitations and restrictions contained in the general obligation bonds, revenue bonds, and QSCB note agreements. District administration has indicated that the District is in compliance with all significant limitations and restrictions at year-end.

I. COMMITMENTS UNDER OPERATING LEASES

Commitments under operating (non-capitalized) lease agreements for facilities and equipment provide for minimum future rental payments at year-end as follows (the imputed interest on the leases range from 2.00% to 5.00%):

Year Ending August 31	
2021	\$ 3,926
2022	2,088
2023	1,044
2024	-
2025	-
2026-2030	-
2031-2035	-
Total Minimum Future Rentals	\$ 7,058
Rental Expenditures in Current Fiscal Year	\$ 12,400

J. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

Upon retirement or death of certain employees, the District pays any accrued sick leave and vacation leave in "lump sum" cash payment to such employee or his/her estate. Individuals employed after October 1, 1985, are not eligible to receive the lump sum payments. The District did not have any accumulated compensated absence payable amounts at the end of the fiscal year.

K. HEALTH CARE COVERAGE

The District provided health insurance coverage for employees under the provisions of the Teacher Retirement System of Texas (TRS) active care health insurance plan during the current year. The District paid monthly premiums for covered employees to the plan. Employees, at their option, authorized payroll withholdings to pay premiums in excess of the amount paid by the District as set by policy. The plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

L. DEFERRED INFLOWS / UNAVAILABLE REVENUE – GOVERNMENTAL FUND STATEMENTS

Deferred Inflows / Unavailable revenue at year-end consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Total
<u>Deferred Inflows:</u>				
Net Tax Revenue	\$ 158,516	\$ -	\$ 31,441	\$ 189,957
<u>Unearned Revenue:</u>				
State and Federal Grants	-	-	-	-
TOTALS	\$ 158,516	\$ -	\$ 31,441	\$ 189,957

M. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments at year end are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as “Due from State Agencies” except for some federal programs which are received directly from the federal government for grants such as the REAP Program.

FUND	Due from State - Foundation Entitlements	Due from State - Grants	Due from Other Governments	TOTAL
General	\$ 34,245	\$ -	\$ 4,822	\$ 39,067
Special Revenue	-	13,511	-	13,511
Debt Service	-	-	904	904
Totals	\$ 34,245	\$ 13,511	\$ 5,726	\$ 53,482

N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$ 1,418,170	\$ -	\$ 520,006	\$ -	\$ 1,938,176
Property Taxes Penalty & Interest	16,476	-	2,293	-	18,769
Investment Income	42,964	-	4,660	-	47,624
Food Sales	-	5,284	-	-	5,284
Extracurricular Student Activities	3,435	-	-	-	3,435
Sec 313 Agreement Payments	123,143	-	-	-	123,143
Other Miscellaneous Revenue	10,814	-	-	-	10,814
Totals	\$ 1,615,002	\$ 5,284	\$ 526,959	\$ -	\$ 2,147,245

O. LITIGATION

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is aware of potential exposure to claims related to these areas; however, legal counsel and the District do not expect any financial exposure to assets of the District.

P. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The District had no significant commitments or contingencies at year end.

Q. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS

The District is a member of various shared services arrangements (SSA's) that are accounted for using Model 3 in the Texas Education Agency (TEA) accounting guide for school districts. The SSA's provides services for member districts. Other districts serve as the fiscal agent for the SSA's. In addition to the District, other member districts participate in the shared services arrangements also. The fiscal agent for each SSA provides SSA services. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the fiscal agent for each SSA has accounted for the fiscal agent's activities of the SSA in special revenue funds. The Shared Services Arrangements listed below have been accounted for used Model 3 in the SSA section of the Resources Guide. The District has accounted for the payments to the fiscal agent in the General Funds No. 199 as intergovernmental expenditures (function 93). A chart detailing the District's participation in those shared services arrangements is a follows:

Shared Services Arrangement	Type of Services	Fiscal Agent	Funding Source	Fiscal Agent	District	Program
				Special Revenue Fund	Special Revenue Fund	Expenditures Current Year
Haskell Knox SSA	Special Education	Knox City- O'Brien CISD	Special Education	437	N.A.	\$ 35,208
TOTAL FUNCTION 93 EXPENDITURES						\$ 35,208

The District also participates in shared service arrangements with other school districts for various educational activities. In addition to the District, other member districts participate in the educational cooperatives and the fiscal agent provides SSA services. The funding for each activity is received by the fiscal agent from the grantor agency. The fiscal agent then provides the funds to the member districts. According to guidance provided in TEA's Resource Guide, the Fiscal Agent has accounted for the fiscal agent's activities of the SSA in a Special Revenue Fund. The Shared Services Arrangements has been accounted for using Model 1 in the SSA section of the TEA Resource Guide. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Presented below are the shared service arrangements in which the District participates and the extent of funding received and expended under each program.

Shared Services Arrangement	Type of Services	Fiscal Agent	Funding Source	Fiscal Agent	District	Program
				Special Revenue Fund	Special Revenue Fund	Expenditures Current Year
Haskell-Knox Education SSA	Special Education	Knox City- O'Brien CISD	IDEA, Part B - Formula	313	224	\$ -

R. SUBSEQUENT EVENTS

In preparing the basic financial statements, District administration has evaluated events and transactions for potential recognition or disclosure through November 16, 2020, the date this Annual Financial Report was available to be issued

S. RELATED ORGANIZATIONS

The District at present does not maintain an Educational Foundation and it does not receive material support from related entities as defined under governmental accounting and reporting standards. These entities are usually established as a not-for-profit entity to provide assistance and support for teachers and students to develop special programs and projects and other school district supported activities.

T. RELATED PARTY TRANSACTIONS

The District did not incur any material reportable related party transactions or balances as of and during the current year.

U. FUND BALANCE / NET POSITION ADJUSTMENTS

The District did not make fund balance adjustment but did make a net position adjustment during the current fiscal year.

	General Fund	Nonmajor Governmental Funds	Total
Governmental Fund Balance			
GASB 84 Reporting Change - Campus Activity Funds	\$ -	\$ -	\$ -
Totals	\$ -	\$ -	\$ -
Government Wide Net Position			
Increase (Decrease) Beginning of Year Net Position:			
GASB 84 Reporting Change - Campus Activity Funds			\$ 1,020
Totals			\$ 1,020

V. WORKERS COMPENSATION / PROPERTY & CASUALTY / UNEMPLOYMENT

Workers' Compensation Program

In prior years, the District established a self-insurance plan for workers' compensation benefits as authorized by Section 504.011 of the Labor Code. The District participates in this plan (West Texas Educational Insurance Association self-funded workers' compensation program) along with other participating entities. The District contributes annual amounts determined by Claims Administrative Services, Inc. As claims arise, they are submitted to and paid by Claims Administrative Services, Inc. on behalf of the District under terms of a contractual agreement. According to state statute, the District is protected against unanticipated catastrophic claims and aggregate loss by coverage carried through a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Coverage was in effect for specific occurrences exceeding \$225,000 and aggregate retention at \$2,000,000.

The costs associated with this self-insurance plan are reported as Interfund transactions to the extent of amounts actuarially determined. Accordingly, they are treated as operating revenues of the Internal Service Fund and operating expenditures of the General Fund. The liabilities of the plan include incurred but not reported claims. These liabilities reported in the funds are based on the requirements of Governmental Accounting Standards Board No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an amount for claims that have been incurred but not reported.

Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Workers' compensation liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time were computed by an actuary and are reported at their present value using an expected future investment yield assumption.

Estimates of claims payable and of claims incurred, but not reported at August 31 are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due. Changes in the balances of claims liabilities during the past year are as follows:

	Prior Fiscal Year	Current Fiscal Year
Unpaid claims, beginning of year	\$ 8,996	\$ 6,568
Incurred claims / Change in Liability Estimate (including IBNR's)	3,096	(555)
Claim Payments	(5,524)	(862)
Accrued Claims Liability (including IBNR's)	\$ 6,568	\$ 5,151

Property Program

During the current fiscal year, the District participated in the TASB Risk Management Fund's (the Fund's) Property Program with coverage in

- Crime
- Equipment Breakdown
- Property

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the current fiscal year, the Fund anticipates the District has no additional liability beyond the contractual obligations for payment of contributions. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31 each year, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Unemployment Compensation Pool

During the current fiscal year ended August 31, the District provided unemployment compensation coverage to its employees 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 Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31 of each fiscal year are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

The fund was created and is operated under the provisions of the Interlocal Cooperation Act. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the current fiscal year ended, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

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

W. DEFINED BENEFIT PENSION PLAN

a. Plan Description

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

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

b. Pension Plan Fiduciary Net Position / Applicable Disclosure Dates

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting *About TRS* then *Publications* then *Financial Reports* or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

For disclosure in this footnote, applicable dates and periods are as follows: 1) the fiscal year reporting date and period are August 31, 2020 and the twelve months then ended; 2) the measurement date for the pension data was August 31, 2019 (date of actuarial valuation) and the measurement period was the period September 1, 2018 through August 31, 2019; 3) the previous measurement date and date of prior actuarial valuation was August 31, 2018.

c. Benefits Provided

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

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

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

d. Contributions

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

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

	Contribution Rates	
	2019	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%
Current fiscal year employer contributions		\$ 30,991
Current fiscal year member contributions		\$ 83,090
2019 measurement year NECE on-behalf contributions		\$ 58,606
<u>Payments made by the State On-Behalf of the District for Medicare, Part D:</u>		
Fiscal year 2018 Medicare, Part D On-Behalf		\$ 3,549
Fiscal year 2019 Medicare, Part D On-Behalf		\$ 4,425
Fiscal year 2020 Medicare, Part D On-Behalf		\$ 5,155

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

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

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

local funds.

- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

In addition to the employer contributions listed above, there is an additional surcharge 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 state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

e. Actuarial Assumptions

The total pension liability in the measurement date actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected investment rate of return	7.25%
Municipal Bond Rate of of August 2019	2.69%. 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 including inflation	3.05 % to 9.05% including inflation
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions used in the determination of the total pension liability as of the measurement date are the same assumptions used in the previous actuarial valuation. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2018.

f. Discount Rate

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

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

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of the measurement date (see page 52 of the TRS CAFR) are summarized below:

Asset Class	FY 2019 Target Allocation ¹ %	New Target Allocation ² %	Long-Term Expected Geometric Real Rate of Return ³
Global Equity			
USA	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	-	-
Private Equity	13.0%	14.0%	8.4%
Stable Value			
U.S. Treasuries ⁴	11.0%	16.0%	3.1%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Absolute Return	0.0%	0.0%	0.0%
Real Return			
Global Inflation Linked Bonds ⁴	3.0%	-	-
Real Estate	14.0%	15.0%	8.5%
Energy, Natural Resources and Infrastructure	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	8.0%	5.8%/6.5% ⁵
Leverage			
Cash	1.0%	2.0%	2.50%
Asset Allocation Leverage	-	-6.0%	2.70%
Expected Return	100.00%	100.00%	7.23%

¹ Target allocations are based on the Strategic Asset Allocation as of FY2019

² New allocations are based on the Strategic Asset Allocation to be implemented FY2020

³ 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

⁴ New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds

⁵ 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility

g. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability:	\$ 682,256	\$ 443,846	\$ 250,688

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

At the fiscal year reporting date, the District reported the liability for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 443,846
State's proportionate share that is associated with the District	<u>870,447</u>
Total	<u>\$ 1,314,293</u>

The net pension liability was measured as of the previous measurement date and rolled forward to the current measurement date and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the measurement date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the measurement period.

On the measurement date, the employer's proportion of the collective net pension liability and the percentage increase (decrease) from its proportion measured as of the previous measurement date are shown in the required supplementary information in Exhibit G-2.

Changes Since the Prior Actuarial Valuation

- The single discount rate on the previous measurement date was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent on the measurement date.
- With the enactment of SB 3 by the 2019 Texas Legislature, and assumption has been made about how this would impact future salaries. It is assumed that eligible active members will receive a \$2,700 increase in fiscal year 2020. This is an addition to the salary increase expected in the actuarial assumptions
- The Texas legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2018 in either the matching amount of their monthly annuity payment or \$2,000 whichever is less.

For the current fiscal year, the District recognized the following:

Year Ended August 31, 2020 pension expense	<u>\$ 244,505</u>
Revenue for support provided by the State	<u>\$ 136,735</u>

At the end of the current fiscal year, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 1,865	\$ 15,411
Changes in actuarial assumptions	137,703	56,905
Differences between projected and actual investment earnings	4,457	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	81,402	5,340
Total as of August 31, 2019 measurement date	\$ 225,427	\$ 77,656
Contributions paid to TRS subsequent to the measurement date	30,991	
Total as of fiscal year-end	\$ 256,418	\$ 77,656

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

Fiscal year ended August 31,	Pension Expense Amount
2021	\$ 42,489
2022	36,549
2023	34,076
2024	30,258
2025	7,973
Thereafter	(3,575)

X. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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 / Applicable Disclosure Dates

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and require supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to the TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512)-542-6592.

For disclosure in this footnote, applicable dates and periods are as follows: 1) the fiscal year reporting date and period are August 31, 2019 and the twelve months then ended; 2) the measurement date for the pension data was August 31, 2019 (date of actuarial valuation) and the measurement period was the period September 1, 2018 through August 31, 2019; 3) the previous measurement date and date of prior actuarial valuation was August 31, 2018.

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 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. There are no automatic post-employment benefit changes; including automatic COLAs.

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

TRS-Care Monthly Premiums Rates		
	Medicare	Non-Medicare
Retiree or Surviving Spouse	\$135	\$200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1020	999

Contribution

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 charge 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 .75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	2019	2020
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Current fiscal year employer contributions		\$ 17,226
Current fiscal year member contributions		\$ 7,014
2019 measurement year NECE on-behalf contributions		\$ 12,709

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

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

Actuarial Assumptions

The total OPEB liability in the previous actuarial valuation was rolled forward to the current measurement date. The actuarial valuation was determined using the following actuarial assumptions:

<u>Actuarial Methods and Assumptions:</u>	
Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	
<u>Additional Actuarial Methods and Assumptions:</u>	
Valuation Date	August 31, 2018, rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
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	Thiry-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs
Salary Increases	3.05% to 9.05%, including inflation
Ad-hoc Post Employment Benefit Changes	None

The assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the previous measurement date TRS pension actuarial valuation that was rolled forward to measurement date:

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 adjustment 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. There was a decrease of 1.06% in the discount rate since the previous year. The Discount Rate can be found in the 2019 TRS CAFR on page 71. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at a statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected *to not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.63%)	Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
Proportionate share of the net OPEB liability	\$ 769,483	\$ 637,348	\$ 533,978

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

For the current fiscal year reporting date, the District reported a liability of \$637,348 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 637,348
State's proportionate share that is associated with the District	846,893
Total	<u>\$ 1,484,241</u>

The Net OPEB Liability for the previous measurement date was rolled forward to the current measurement date and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer’s proportion of the Net OPEB Liability was based on the employer’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the measurement period.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate is used.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of net OPEB liability	\$ 519,926	\$ 637,348	\$ 794,639

Changes Since the Prior Actuarial Valuation

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

- The discount rate changed from 3.69 percent as of the previous measurement date to 2.63 percent as of the current measurement date. This change increased the total OPEB liability (TOL).
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent 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 TOL.
- The trend rates were reset to better reflect the plan’s anticipated experience. This change increased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouse of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.
- Change of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

For the current fiscal year reporting period, the District recognized OPEB expense of \$28,830 and revenue of \$22,321 for support proved by the State.

At the current fiscal year end, the District reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 31,267	\$ 104,295
Changes in actuarial assumptions	35,400	171,431
Differences between projected and actual investment earnings	69	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	10,364	80,720
Contributions paid to TRS subsequent to the measurement date	17,226	
Total as of fiscal year-end	\$ 94,326	\$ 356,446

The net amounts of the employers balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal year ended August 31,	OPEB Expense Amount
2021	\$ (45,344)
2022	(45,344)
2023	(45,367)
2024	(45,380)
2025	(45,377)
Thereafter	(52,533)

AA. TAX ABATEMENT

On October 19, 2015, the Paint Creek ISD Board of Trustees approved an Agreement with OCI Alamo 7 LLC for a Limitation On Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code, i.e., the Texas Economic Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended. OCI Alamo 7 LLC qualified for a tax limitation agreement under Texas Tax Code §313.024(b)(5), as a renewable energy electric generation project.

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

In order to qualify for a value limitation agreement, each applicant, including OCI Alamo 7 LLC has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application's approval, the agreement was found to have done so by both the District's Board of Trustees and the Texas Comptroller's Office, which recommended approval of the project. The application, the agreements and state reporting requirement documentation can be viewed at the Texas Comptroller's website. The agreement and all supporting documentation was assigned Texas Comptroller Application No. 1056.

For fiscal year 2020, which is year 4 of the agreement, the M&O tax rate was \$.97 per \$ 100 and such property was valued at \$110,117,920 without considering the limit, and \$20,000,000 with the limit. The District thus forgoes collecting \$874,144 in M&O tax revenue. In addition to the tax abatement, OCI Alamo 7 LLC paid supplemental payments to the district in the amount of \$125,000.

REQUIRED SUPPLEMENTARY INFORMATION

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,637,492	\$ 1,712,492	\$ 1,615,002	\$ (97,490)
5800 State Program Revenues	362,718	260,998	437,636	176,638
5900 Federal Program Revenues	500	50,000	51,626	1,626
5020 Total Revenues	2,000,710	2,023,490	2,104,264	80,774
EXPENDITURES:				
Current:				
0011 Instruction	1,002,691	1,024,690	978,921	45,769
0012 Instructional Resources and Media Services	27,436	21,136	15,973	5,163
0013 Curriculum and Instructional Staff Development	8,891	8,891	7,566	1,325
0023 School Leadership	114,083	114,083	111,145	2,938
0031 Guidance, Counseling, and Evaluation Services	52,184	53,184	49,462	3,722
0033 Health Services	6,683	6,683	6,450	233
0034 Student (Pupil) Transportation	51,545	51,545	44,767	6,778
0035 Food Services	36,928	2,745	2,725	20
0036 Extracurricular Activities	65,257	55,557	43,245	12,312
0041 General Administration	352,642	431,642	426,003	5,639
0051 Facilities Maintenance and Operations	289,302	289,302	258,668	30,634
0052 Security and Monitoring Services	7,789	7,789	5,966	1,823
0053 Data Processing Services	54,204	54,204	52,280	1,924
Debt Service:				
0071 Principal on Long-Term Debt	154,600	154,600	137,617	16,983
0072 Interest on Long-Term Debt	54,450	54,450	44,957	9,493
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	-	-	56	(56)
0093 Payments to Fiscal Agent/Member Districts of SSA	35,208	35,208	35,208	-
0099 Other Intergovernmental Charges	61,000	61,000	55,461	5,539
6030 Total Expenditures	2,374,893	2,426,709	2,276,470	150,239
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(374,183)	(403,219)	(172,206)	231,013
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	(56,683)	(56,683)	(40,611)	16,072
1200 Net Change in Fund Balances	(430,866)	(459,902)	(212,817)	247,085
0100 Fund Balance - September 1 (Beginning)	2,510,038	2,510,038	2,510,038	-
3000 Fund Balance - August 31 (Ending)	\$ 2,079,172	\$ 2,050,136	\$ 2,297,221	\$ 247,085

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Pension Liability (Asset)	0.000853828%	0.000830042%	0.000851463%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 443,846	\$ 456,875	\$ 272,252
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	870,447	1,043,280	642,404
Total	<u>\$ 1,314,293</u>	<u>\$ 1,500,155</u>	<u>\$ 914,656</u>
District's Covered Payroll	\$ 1,113,243	\$ 1,143,160	\$ 1,134,427
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	39.87%	39.97%	24.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.24%	73.74%	82.17%

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

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

<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>	<u>FY 2015</u> <u>Plan Year 2014</u>
0.0006609%	0.0007127%	0.0002326%
\$ 249,751	\$ 251,930	\$ 62,131
767,755	737,546	592,971
<u>\$ 1,017,506</u>	<u>\$ 989,476</u>	<u>\$ 655,102</u>
\$ 1,026,926	\$ 1,000,538	\$ 904,092
24.32%	25.18%	6.87%
78.00%	78.43%	83.25%

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2020

	2020	2019	2018
Contractually Required Contribution	\$ 30,991	\$ 29,735	\$ 27,818
Contribution in Relation to the Contractually Required Contribution	(30,991)	(29,735)	(27,818)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 1,079,088	\$ 1,113,243	\$ 1,143,160
Contributions as a Percentage of Covered Payroll	2.87%	2.67%	2.43%

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

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

	2017	2016	2015
\$	27,906	\$ 20,999	\$ 21,104
	(27,906)	(20,999)	(21,104)
\$	-	\$ -	\$ -
\$	1,134,426	\$ 1,026,926	\$ 1,000,538
	2.46%	2.04%	2.11%

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.001347708%	0.001328971%	0.001497015%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 637,348	\$ 663,567	\$ 650,996
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	846,893	993,129	904,335
Total	<u>\$ 1,484,241</u>	<u>\$ 1,656,696</u>	<u>\$ 1,555,331</u>
District's Covered Payroll	\$ 1,113,243	\$ 1,143,160	\$ 1,134,427
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	57.25%	58.05%	57.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.66%	1.57%	0.91%

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

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

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2020

	2020	2019	2018
Contractually Required Contribution	\$ 17,226	\$ 9,002	\$ 9,142
Contribution in Relation to the Contractually Required Contribution	(17,226)	(9,002)	(9,142)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 1,079,088	\$ 1,113,243	\$ 1,143,160
Contributions as a Percentage of Covered Payroll	1.60%	0.81%	0.80%

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

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

**PAINT CREEK INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2020**

A. Notes to Schedules for the TRS Pension / OPEB Plan

Changes Since the Prior Actuarial Valuation

- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, and assumption has been made about how this would impact future salaries. It is assumed that eligible active members will receive a \$2,700 increase in fiscal year 2020. This is an addition to the salary increase expected in the actuarial assumptions
- The Texas legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2018 in either the matching amount of their monthly annuity payment or \$2,000 whichever is less.

B. Notes to Schedules for the TRS OPEB Plan

Changes Since the Prior Actuarial Valuation

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

- The discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the total OPEB liability (TOL).
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent 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 TOL.
- The trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouse of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.
- Change of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

**PAINT CREEK INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2020**

C. Stewardship, Compliance and Accountability

Budget

The Board of Trustees (local school board) is legally required to adopt an annual budget (on a 12-month basis) for the general fund, the food service fund, and the debt service fund. The budgets must be prepared by August 20 and adopted by the local school board before expenditures are made and, if applicable, before the tax rate for the year is adopted. The required supplementary information for the general fund budget is reported in Exhibit G-1 “Budgetary Comparison Schedule – General Fund. The required Texas Education Agency (TEA) schedules for the food service fund and the debt service fund are presented in Exhibit’s J-2 “Budgetary Comparison Schedule – Child Nutrition Fund and Exhibit J-3 “Budgetary Comparison Schedule – Debt Service Fund”.

Once a budget is approved, it can be amended at the fund and function level only by majority vote of the members of the Board of Trustees.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under State of Texas law, appropriations lapse at year end August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year’s budget.

It is a violation of Texas State Law for expenditures to exceed the budget in any function of the general fund, the food service fund, or the debt service fund.

Expenditures Exceeding Appropriation

The current year expenditures did not exceed appropriations in any functions in the general fund as detailed in Exhibit G-1 “Budgetary Comparison Schedule -General Fund” except for an immaterial excess in function 91 contracted instructional services between districts. The current year expenditures also did not exceed appropriations in any functions in the food service fund as detailed in Exhibit J-2 “Budgetary Comparison Schedule -Child Nutrition Fund”. The current year expenditures also did not exceed appropriations in any functions in the debt service fund as detailed in Exhibit J-3 “Budgetary Comparison Schedule -Debt Service Fund”.

**OTHER SUPPLEMENTARY INFORMATION –
COMBINING SCHEDULES**

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2020

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant
ASSETS			
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240 Due from Other Governments	3,356	4,955	-
1000 Total Assets	<u>\$ 3,356</u>	<u>\$ 4,955</u>	<u>\$ -</u>
LIABILITIES			
2160 Accrued Wages Payable	\$ 3,026	\$ 3,336	\$ -
2170 Due to Other Funds	-	-	-
2200 Accrued Expenditures	330	72	-
2000 Total Liabilities	<u>3,356</u>	<u>3,408</u>	<u>-</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	1,547	-
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>1,547</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 3,356</u>	<u>\$ 4,955</u>	<u>\$ -</u>

255 ESEA II,A Training and Recruiting	266 ESSER -School Emergency Relief	270 ESEA VI, Pt B Rural & Low Income	289 Other Federal Special Revenue Funds	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds
\$ -	\$ 3,263	\$ -	\$ -	\$ -	\$ -	\$ 847	\$ 4,110
373	-	-	-	4,827	-	-	13,511
<u>\$ 373</u>	<u>\$ 3,263</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,827</u>	<u>\$ -</u>	<u>\$ 847</u>	<u>\$ 17,621</u>
\$ 336	\$ 3,217	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,915
-	-	-	-	4,827	-	-	4,827
37	46	-	-	-	-	-	485
<u>373</u>	<u>3,263</u>	<u>-</u>	<u>-</u>	<u>4,827</u>	<u>-</u>	<u>-</u>	<u>15,227</u>
-	-	-	-	-	-	-	1,547
-	-	-	-	-	-	847	847
-	-	-	-	-	-	847	2,394
<u>\$ 373</u>	<u>\$ 3,263</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,827</u>	<u>\$ -</u>	<u>\$ 847</u>	<u>\$ 17,621</u>

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2020

Data Control Codes	699 Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS		
1110 Cash and Cash Equivalents	\$ -	\$ 4,110
1240 Due from Other Governments	-	13,511
1000 Total Assets	<u>\$ -</u>	<u>\$ 17,621</u>
LIABILITIES		
2160 Accrued Wages Payable	\$ -	\$ 9,915
2170 Due to Other Funds	-	4,827
2200 Accrued Expenditures	-	485
2000 Total Liabilities	<u>-</u>	<u>15,227</u>
FUND BALANCES		
Restricted Fund Balance:		
3450 Federal or State Funds Grant Restriction	-	1,547
Assigned Fund Balance:		
3590 Other Assigned Fund Balance	-	847
3000 Total Fund Balances	<u>-</u>	<u>2,394</u>
4000 Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 17,621</u>

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant
REVENUES:			
5700 Total Local and Intermediate Sources	\$ -	\$ 5,284	\$ -
5800 State Program Revenues	-	1,166	-
5900 Federal Program Revenues	48,553	70,426	1,371
5020 Total Revenues	<u>48,553</u>	<u>76,876</u>	<u>1,371</u>
EXPENDITURES:			
Current:			
0011 Instruction	48,553	-	1,371
0013 Curriculum and Instructional Staff Development	-	-	-
0035 Food Services	-	118,084	-
0036 Extracurricular Activities	-	-	-
0051 Facilities Maintenance and Operations	-	-	-
0052 Security and Monitoring Services	-	-	-
6030 Total Expenditures	<u>48,553</u>	<u>118,084</u>	<u>1,371</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(41,208)	-
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	40,611	-
1200 Net Change in Fund Balance	-	(597)	-
0100 Fund Balance - September 1 (Beginning)	-	2,144	-
1300 Prior Period Adjustment - GASB 84	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 1,547</u>	<u>\$ -</u>

255 ESEA II,A Training and Recruiting	266 ESSER -School Emergency Relief	270 ESEA VI, Pt B Rural & Low Income	289 Other Federal Special Revenue Funds	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,284
-	-	-	-	26,797	26,267	-	54,230
6,176	4,258	14,726	9,813	-	-	-	155,323
6,176	4,258	14,726	9,813	26,797	26,267	-	214,837
6,176	4,183	13,756	4,254	26,797	3,000	-	108,090
-	-	970	-	-	-	-	970
-	-	-	-	-	-	-	118,084
-	-	-	-	-	-	173	173
-	75	-	-	-	18,129	-	18,204
-	-	-	5,559	-	5,138	-	10,697
6,176	4,258	14,726	9,813	26,797	26,267	173	256,218
-	-	-	-	-	-	(173)	(41,381)
-	-	-	-	-	-	-	40,611
-	-	-	-	-	-	(173)	(770)
-	-	-	-	-	-	-	2,144
-	-	-	-	-	-	1,020	1,020
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 847	\$ 2,394

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	699 Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ -	\$ 5,284
5800 State Program Revenues	-	54,230
5900 Federal Program Revenues	-	155,323
5020 Total Revenues	-	214,837
EXPENDITURES:		
Current:		
0011 Instruction	-	108,090
0013 Curriculum and Instructional Staff Development	-	970
0035 Food Services	-	118,084
0036 Extracurricular Activities	-	173
0051 Facilities Maintenance and Operations	-	18,204
0052 Security and Monitoring Services	-	10,697
6030 Total Expenditures	-	256,218
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(41,381)
OTHER FINANCING SOURCES (USES):		
7915 Transfers In	-	40,611
1200 Net Change in Fund Balance	-	(770)
0100 Fund Balance - September 1 (Beginning)	-	2,144
1300 Prior Period Adjustment - GASB 84	-	1,020
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 2,394

REQUIRED TEXAS EDUCATION AGENCY SCHEDULES

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2020

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2011 and prior years	Various	Various	\$ Various
2012	1.170000	0.000000	34,377,239
2013	1.162000	0.000000	40,549,550
2014	1.162000	0.000000	54,077,887
2015	1.040000	0.000000	101,475,864
2016	1.170000	0.000000	142,150,580
2017	1.042400	0.000000	220,368,984
2018	1.040000	0.220000	170,852,712
2019	1.040000	0.220000	147,296,349
2020 (School year under audit)	0.970000	0.220000	162,787,446
1000 TOTALS			

\$253,223,982 is the assessed valuation for debt service purposes. The assessed valuation for maintenance and operations includes a valuation limitation agreement under Section 313 of the Texas Economic Development Act. The value limitation agreement resulted in a tax abatement of \$874,144.

(10) Beginning Balance 9/1/2019	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2020
\$ 13,109	\$ -	\$ 159	\$ -	\$ (8)	\$ 12,942
726	-	78	-	(2)	646
2,635	-	165	-	(1)	2,469
3,026	-	155	-	(1)	2,870
2,153	-	236	-	(2)	1,915
2,871	-	684	-	(4)	2,183
3,130	-	508	-	(3)	2,619
5,738	-	817	173	(4)	4,744
21,960	-	9,158	1,938	(4)	10,860
-	2,136,131	1,406,209	517,895	-	212,027
<u>\$ 55,348</u>	<u>\$ 2,136,131</u>	<u>\$ 1,418,169</u>	<u>\$ 520,006</u>	<u>\$ (29)</u>	<u>\$ 253,275</u>

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 40,683	\$ 6,500	\$ 5,284	\$ (1,216)
5800 State Program Revenues	450	450	1,166	716
5900 Federal Program Revenues	81,700	81,700	70,426	(11,274)
5020 Total Revenues	122,833	88,650	76,876	(11,774)
EXPENDITURES:				
Current:				
0035 Food Services	122,833	145,333	118,084	27,249
6030 Total Expenditures	122,833	145,333	118,084	27,249
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(56,683)	(41,208)	15,475
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	56,683	40,611	(16,072)
1200 Net Change in Fund Balances	-	-	(597)	(597)
0100 Fund Balance - September 1 (Beginning)	-	2,144	2,144	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 2,144	\$ 1,547	\$ (597)

PAINT CREEK INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 547,450	\$ 547,450	\$ 526,959	\$ (20,491)
5800 State Program Revenues	-	-	230	230
5020 Total Revenues	547,450	547,450	527,189	(20,261)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	370,000	370,000	370,000	-
0072 Interest on Long-Term Debt	81,350	81,350	81,550	(200)
0073 Bond Issuance Cost and Fees	400	400	200	200
6030 Total Expenditures	451,750	451,750	451,750	-
1200 Net Change in Fund Balances	95,700	95,700	75,439	(20,261)
0100 Fund Balance - September 1 (Beginning)	116,782	116,782	116,782	-
3000 Fund Balance - August 31 (Ending)	\$ 212,482	\$ 212,482	\$ 192,221	\$ (20,261)

REPORTS ON COMPLIANCE and INTERNAL CONTROLS

James E. Rodgers and Company, P.C.

Certified Public Accountants

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Member of Texas Society of CPA's and American Institute of CPA's

Richard E. Rodgers CPA • Gerald L. Rodgers CPA

November 16, 2020

Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To the Board of Trustees
Paint Creek Independent School District
Haskell, Texas 79521

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Paint Creek Independent School District, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise Paint Creek Independent School District's basic financial statements, and have issued our report thereon dated November 16, 2020.

Internal Control Over Financial Reporting

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

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

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

James E. Rodgers and Company, P.C.

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



James E. Rodgers and Company, P.C.



PAINT CREEK INDEPENDENT SCHOOL DISTRICT

4485 FM 600

Haskell, TX 79521

Cheryl Floyd, Ed.D.
Superintendent
Phone 940-864-2868

Ken Wallace
Principal
Fax 940-864-8038

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2020**

I. Summary of Auditor Results:		
1.	Type of report issued on the financial statements:	Unmodified
2. a.	Significant deficiencies in internal control:	None
b.	Significant deficiencies that were material weaknesses:	None
3.	Noncompliance, which is material to financial statements:	None

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with <i>Generally Accepted Government Auditing Standards (GAGAS)</i>:		
Finding 2020-001: No current year finding		
a.	Condition:	Not applicable
b.	Criteria:	Not applicable
c.	Cause:	Not applicable
d.	Effect:	Not applicable
e.	Recommendation:	Not applicable
f.	District Response:	Not applicable

SCHOOLS FIRST QUESTIONNAIRE

PAINT CREEK INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2020

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	0