

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2021**



**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

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CERTIFICATE OF THE BOARD

Cleburne Independent School District  
Name of School District

Johnson  
County

126-903  
Co. - 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 June 30, 2021, at a meeting of the board of trustees of such school district on the 15<sup>th</sup> day of November, 2021.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

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

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Cleburne Independent School District  
Cleburne, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cleburne Independent School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Cleburne 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 auditors' judgement, 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 Cleburne Independent School District, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston  
NEW MEXICO | Albuquerque

**Emphasis of Matter – Change in Accounting Principle**

As described in the notes to the financial statements, in fiscal year 2021 the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

**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, and pension and OPEB information, as presented in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance in 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 Cleburne Independent School District’s basic financial statements. The combining nonmajor fund financial statements, required TEA schedules and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021 on our consideration of Cleburne Independent School District’s internal control over financial reporting and on our tests of its compliance with certain provisions of law, 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 Cleburne Independent School District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cleburne Independent School District’s internal control over financial reporting and compliance.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
November 15, 2021



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Cleburne Independent School District (the "District"), we offer this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2021. Please read this narrative in conjunction with the independent auditors' report and the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The net position of the District at the close of its fiscal year was \$42,604,721, a net increase of \$6,508,305 from operations over last year. Unrestricted net position of (\$16,695,351) may be used to meet the District's ongoing obligations to citizens and creditors. Net Investment in Capital Assets is \$44,858,803. The remaining \$14,441,269 is restricted for Federal and State Programs, Debt Service, Capital Projects and Campus Activities.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$57,301,790 a net increase of \$5,149,425 over the prior year. The General Fund increased by \$4,583,869 from current year operations. Other funds had a increase of \$565,556 from current year operations. The primary cause for the increase in Fund balances were increases in Debt Services and Child Nutrition with an offset by the Capital Projects Fund being reduced by \$3,086,126 from current year operations.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$25,611,069 or 39% of total General Fund current year expenditures. Prior year unassigned fund balance for the General Fund was \$22,490,064, or 39% of total General Fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Government-wide financial statements - These statements provide information about the activities of the District as a whole and present both a long-term and short-term view of the District's finances. The government-wide financial statements include the statement of net position and the statement of activities.

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

The statement of activities presents information on all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (government activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no business-type activities and no component units for which it is financially accountable.

Fund financial statements - These statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. Some funds are required by State law and/or bond covenants. Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All the funds of the District can be divided into three categories; governmental funds, proprietary funds, and fiduciary funds.

- Governmental funds – these financial statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget.
- Proprietary funds – these financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the revenues covered the expenses of the goods or services. The District has no proprietary funds.
- Fiduciary funds – these financial statements provide information about activities for which the District acts solely as a trustee or agent for the benefit of others, for example, student activity funds and scholarships for graduating students. 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 operations.
- Notes to the financial statements – The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide statements and the fund financial statements.
- Other information – This annual report contains other supplementary information in addition to the basic financial statements and the notes to the financial statements. The Management’s Discussion and Analysis is required supplementary information under governmental accounting standards. The “Combining Schedules” for nonmajor funds contain even more information about the District’s individual funds. The “Required Texas Education Agency Schedules” and “Reports on Internal Controls, Compliance and Federal Awards” contain data used by monitoring or regulatory agencies for assurance that the District is using supplied funds in compliance with terms of grants.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following analysis presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the statement of net position (Table 1) and the statement of activities (Table 2) of the District’s governmental activities.

**TABLE 1  
NET POSITION**

	Governmental Activities	
	2021	2020
Assets:		
Current and other assets	\$ 66,729,403	\$ 64,405,880
Capital assets	<u>180,489,353</u>	<u>182,497,554</u>
Total assets	<u>247,218,756</u>	<u>246,903,434</u>
Deferred Outflows of Resources:		
Deferred charges for refunding	1,264,291	1,436,691
Teach Retirement System	<u>11,192,155</u>	<u>14,138,064</u>
Total deferred outflows of resources	<u>12,456,446</u>	<u>15,574,755</u>
Liabilities:		
Long-term liabilities	187,265,549	199,041,551
Other liabilities	<u>10,546,736</u>	<u>12,264,182</u>
Total liabilities	<u>197,812,285</u>	<u>211,305,733</u>
Deferred Inflows of Resources:		
Teacher Retirement System	<u>19,258,196</u>	<u>15,076,040</u>
Net position:		
Net investment in capital assets	44,858,803	44,443,416
Restricted	14,441,269	11,823,916
Unrestricted	<u>( 16,695,351)</u>	<u>( 20,170,916)</u>
Total net position	<u>\$ 42,604,721</u>	<u>\$ 36,096,416</u>

The District's governmental activities net position increased by a net of \$6,508,305 from operations, as previously discussed. A large portion of net position, \$44,858,803, or 105%, reflects the District's net investment in capital assets (e.g., land, buildings, furniture and equipment, and accumulated depreciation), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, \$14,441,269 or 34%, represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted assets, (\$16,695,351), may be used to meet the District's ongoing obligations.

**TABLE 2**  
**CHANGES IN NET POSITION**

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 1,219,570	\$ 1,823,193
Operating grants and contributions	15,161,455	15,626,506
General revenues:		
Maintenance and operations taxes	30,640,839	30,280,567
Debt service taxes	13,290,612	13,017,001
State aid - formula grants	31,904,427	31,220,791
Investment earnings	45,771	756,315
Gain on sale of assets	2,500	16,091
Miscellaneous local & intermediate revenue	357,576	364,345
Total revenues	<u>92,622,750</u>	<u>93,104,809</u>
Expenses:		
Instruction	44,226,029	46,256,493
Instructional resources and media services	572,459	593,817
Curriculum and staff development	1,649,994	1,540,522
Instructional leadership	1,548,055	1,243,779
School leadership	4,177,258	4,377,219
Guidance, counseling, and evaluation services	2,534,548	2,634,134
Health services	929,520	890,615
Student transportation	2,604,315	2,538,300
Food service	3,757,606	3,875,211
Extracurricular activities	2,758,136	3,123,999
General administration	2,603,440	2,452,402
Facilities maintenance and operations	9,296,737	8,088,160
Security and monitoring services	2,077,293	1,207,631
Data processing services	1,983,523	1,710,451
Community services	686	9,154
Interest on long-term debt	4,756,906	4,943,901
Bond issuance cost and fees	3,029	2,949
Payments related to shared services arrangements	71,802	77,906
Other governmental changes	563,109	552,540
Total expenses	<u>86,114,445</u>	<u>86,119,183</u>
Increase/(Decrease) in net position before inflows/outflows and special items	6,508,305	6,985,626
NET POSITION, BEGINNING	<u>36,096,416</u>	<u>29,110,790</u>
NET POSITION, ENDING	<u>\$ 42,604,721</u>	<u>\$ 36,096,416</u>

## Governmental Revenue by Source

	Governmental Activities	
	2021	2020
Program Revenues:		
Charges for services	1.3%	2.0%
Operating grants and contributions	16.4%	16.8%
General Revenues:		
Maintenance & operating taxes	33.1%	32.5%
Debt Service taxes	14.3%	14.0%
State aid - formula grants	34.4%	33.5%
All others	0.4%	1.2%
Total Revenues	<u>100.0%</u>	<u>100.0%</u>

## Governmental Expenses by Function

	Governmental Activities	
	2021	2020
Instruction	51.36%	53.72%
Instructional resources and media services	0.66%	0.69%
Curriculum and staff development	1.92%	1.79%
Instructional leadership	1.80%	1.44%
School leadership	4.85%	5.08%
Guidance, counseling, and evaluation services	2.94%	3.06%
Health services	1.08%	1.03%
Student transportation	3.02%	2.95%
Food service	4.36%	4.50%
Extracurricular activities	3.20%	3.63%
General administration	3.02%	2.85%
Facilities maintenance and operations	10.80%	9.39%
Security and monitoring services	2.41%	1.40%
Data processing services	2.30%	1.99%
Community services	0.00%	0.01%
Interest on long-term debt	5.52%	5.74%
Payments related to shared services arrangements	0.08%	0.09%
Other governmental changes	0.65%	0.64%
	<u>100.00%</u>	<u>100.00%</u>

The District's net position increased by a net of \$6,508,305, or 18% from current fiscal year operations as shown below.

- 1) Total net change in Fund Balances – Governmental Funds – \$5,149,425
- 2) Capital outlays and long-term debt principal – \$8,510,012
- 3) Depreciation – (\$5,876,866)
- 4) GASB 68 adjustments – (\$1,620,337)
- 5) Other miscellaneous adjustments – (\$240,089)
- 6) GASB 75 adjustments – \$586,160

The District is required under GASB 68 to report its proportionate share of the unfunded liability associated with the Teacher Retirement System of Texas (TRS) pension plan. The required entries to record the effects of GASB 68 and GASB 71, an amendment to GASB 68, are book entries only in the statement of governmental activities and do not affect the funding of the District. These entries decreased the District's ending net position and is discussed in greater detail in the notes to the financial statements.

The District is required under GASB 75 to report its proportionate share of the unfunded liability associated with TRS-Care. The required entries to record the effects of GASB 75 are book entries only in the statement of governmental activities and do not affect the funding of the District. These entries decreased the District's ending net position and is discussed in greater detail in the notes to the financial statements.

**GOVERNMENTAL FUNDS FINANCIAL ANALYSIS**

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

The District's governmental funds reported a combined ending fund balance of \$57,301,790 , a net increase of \$5,149,425 over last year's combined fund balance. Unassigned fund balance is \$25,611,069 , or 45%, and is available for spending at the District's discretion. The remainder of fund balance is not available for discretionary spending because it is classified as nonspendable, restricted or committed for the following items:

Nonspendable fund balance:	
Prepaid items	\$ <u>129,040</u>
Restricted fund balance:	
Federal or state funds grant restrictions:	
National Breakfast & Lunch Program	\$ 2,252,119
Other State Special Revenue Funds	751
Capital acquisition & contractual obligations	9,313,739
Retirement of long-term debt	<u>13,381,191</u>
Total restricted fundbalance	\$ <u>24,947,800</u>
Committed fund balance:	
Campus Activity funds	\$ <u>662,341</u>
Assigned fund balance:	
Subsequent year's budget	\$ <u>5,951,540</u>

The General Fund is the chief operating fund of the District. At the end of the current fiscal the General Fund's unassigned fund balance was \$25,611,069 or 81% while the total fund balance was \$31,691,649. The total fund balance increased by \$4,583,869 from current year operations.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories:

1. Major amendment to function 53, Data Processing Services for the purchase of hotspots.
2. Major amendments to Function 51, Plant Maintenance & Operations for summer projects.
3. Major amendments to Function 81, Facilities Acquisition and Construction for the purchase of a storage facility.

The District's actual General Fund balance of \$31,691,649 differs from the General Fund's budgetary fund balance of \$23,611,496. The difference of \$8,080,153 is primarily due to actual revenues exceeding budgeted revenues by \$2,151,705 and actual expenditures being \$5,925,948 less than budgeted expenditures.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The District's investments in capital assets for its governmental activities at the end of this fiscal year amounts to \$180,489,353 (net of accumulated depreciation) for a net decrease of (\$2,008,201) or -1% from last year. The decrease is due to depreciation of new assets held in Construction-in-progress in prior years. This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

More detailed information about the District's capital assets are presented in the notes to the financial statements.

	Capital Assets	
	2021	2020
Land	\$ 4,101,047	\$ 3,909,266
Construction-in-progress	-	117,342,980
Buildings and improvements	239,085,557	118,886,238
Furniture and equipment	18,200,205	17,449,064
Less depreciation	( 80,897,456)	( 75,089,994)
Totals	\$ 180,489,353	\$ 182,497,554

### Long-term Liabilities

At year-end, the District had \$187,265,549 in long-term debt, consisting of \$120,541,390 in outstanding general obligation bonds; accreted interest of \$636,187; premium on bonds of \$19,865,258; net pension liability of \$20,377,773; net OPEB liability of \$20,679,196; and retainage payable of \$5,197,092, versus \$195,389,020 last year for a decrease of (\$8,123,471).

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For fiscal year 2021, the District experienced an overall increase in the tax base of approximately 11%. Single family residences showed an increase of approximately 22% relative to the prior year amounts. The current year funding does not provide sufficient resources necessary to adopt a budget in which budgeted revenue exceeds budgeted expenditures, however, the fund balance position of the District is sufficient to ensure that operations can be maintained at the current level and the district can remain financially strong.

### Next Year's Budget and Rates

The District's elected and appointed officials considered many factors when setting the fiscal year 2022 budget and tax rate. In preparing the 2022 budget, the goal of the Board of Trustees was to adopt a budget that meets the District's educational goals for successful education of its students, provides for a competitive and marketable salary for all district employees, and to provide sufficient resources to address aging facilities. The general fund budget, as presented and approved, resulted in a budgetary deficit of approximately \$5.9 million

For the 2022 fiscal year, the District's budgeted revenue is projected to increase approximately \$1.6 million from the 2021 revenue. This is due primarily to an increase of tax revenue as a result of an increase to property values. Budgeted expenditures included increases in salaries for all employees of the district. Enrollment assumptions used in calculating state revenue for the 2021-2022 operating budget anticipated an estimated 2.5% increase in enrollment from the 2020-2021 final enrollment figures based on demographer reports.

By adopting a general fund budget deficit for the 2022 fiscal year, the District plans to decrease fund balance on an annual basis. The year-end fund balance for the 2021 fiscal year ended June 30, 2021, and the beginning fund balance for the 2022 fiscal year in the general fund is \$31.6 million, which is approximately 44% of the 2022 annual budgeted operating expenditures. The total approved budgeted expenses is \$70.3 million for the 2022 fiscal year. With ongoing changes and developments in the accountability standards established by the State of Texas, the District will continue to monitor expenditures to ensure programmatic requirements and compliance are met while also addressing learning loss due to the COVID-19 pandemic.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

The financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Superintendent's Office, at Cleburne Independent School District, 505 N. Ridgeway, Suite 100, Cleburne, Texas 76033.

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## **BASIC FINANCIAL STATEMENTS**

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**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT A-1**

STATEMENT OF NET POSITION

JUNE 30, 2021

<u>Data Control Codes</u>	<u>1 Primary Government Governmental Activities</u>
<b>ASSETS</b>	
1110 Cash and cash equivalents	\$ 52,729,171
1220 Delinquent property taxes receivables	2,671,518
1230 Allowance for uncollectible taxes	( 1,382,616)
1240 Due from other governments	12,439,215
1290 Other receivables	23,442
1300 Inventories	119,633
1410 Prepayments	129,040
Capital assets:	
1510 Land	4,101,047
1520 Buildings, net	171,999,234
1530 Furniture and equipment, net	<u>4,389,072</u>
1000 Total assets	<u>247,218,756</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred charge for refunding	1,264,291
1705 Deferred outflow related to pensions	7,583,312
1706 Deferred outflow related to other post-employment benefit	<u>3,608,843</u>
1700 Total deferred outflows of resources	<u>12,456,446</u>
<b>LIABILITIES</b>	
2110 Accounts payable	601,080
2140 Interest payable	2,052,140
2150 Payroll deductions and withholdings	1,550,407
2160 Accrued wages payable	6,210,286
2180 Due to other governments	26,322
2177 Due to trust and agency funds	96
2200 Accrued expenses	27,633
2300 Unearned revenue	78,772
Noncurrent liabilities:	
2501 Due within one year	8,580,745
2502 Due in more than one year	137,627,835
2540 Net pension liability	20,377,773
2545 Net other post-employment benefit liability	<u>20,679,196</u>
2000 Total liabilities	<u>197,812,285</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred inflow related to pensions	3,995,307
2606 Deferred inflow related to other post-employment benefit	<u>15,262,889</u>
2600 Total deferred inflows of resources	<u>19,258,196</u>
<b>NET POSITION</b>	
3200 Net investment in capital assets	44,858,803
Restricted for:	
3820 Federal and state programs	2,252,870
3850 Debt service	11,526,058
3870 Campus activities	662,341
3900 Unrestricted	<u>( 16,695,351)</u>
3000 Total net position	<u>\$ 42,604,721</u>

The accompanying notes are an integral part of this financial statement.

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**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT B-1**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	Functions/Programs	1	Program Revenues 3	Program Revenues 4	Net (Expenses) Revenue Changes in Net Position 6
Codes	Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
<b>Primary government:</b>					
Governmental activities:					
11	Instruction	\$ 44,226,029	\$ 193,759	\$ 8,377,402	\$( 35,654,868)
12	Instructional resources and media services	572,459	-	31,744	( 540,715)
13	Curriculum and staff development	1,649,994	-	234,838	( 1,415,156)
21	Instructional leadership	1,548,055	-	220,299	( 1,327,756)
23	School leadership	4,177,258	-	284,351	( 3,892,907)
31	Guidance, counseling, and evaluation services	2,534,548	-	1,069,439	( 1,465,109)
33	Health services	929,520	-	69,658	( 859,862)
34	Student transportation	2,604,315	-	92,403	( 2,511,912)
35	Food service	3,757,606	277,306	3,980,547	500,247
36	Extracurricular activities	2,758,136	618,610	97,117	( 2,042,409)
41	General administration	2,603,440	-	121,377	( 2,482,063)
51	Facilities maintenance and operations	9,296,737	129,895	275,368	( 8,891,474)
52	Security and monitoring services	2,077,293	-	108,074	( 1,969,219)
53	Data processing services	1,983,523	-	137,297	( 1,846,226)
61	Community services	686	-	686	-
72	Interest on long-term debt	4,756,906	-	53,765	( 4,703,141)
73	Bond issuance costs and fees	3,029	-	-	( 3,029)
93	Payments related to shared services arrangements	71,802	-	7,090	( 64,712)
99	Other governmental changes	<u>563,109</u>	<u>-</u>	<u>-</u>	<u>( 563,109)</u>
TG	Total governmental activities	<u>\$ 86,114,445</u>	<u>\$ 1,219,570</u>	<u>\$ 15,161,455</u>	<u>( 69,733,420)</u>
General revenues:					
Taxes:					
MT	Property taxes, levied for general purposes				30,640,839
DT	Property taxes, levied for debt service				13,290,612
SF	State aid - formula grants				31,904,427
IE	Investment earnings				45,771
S1	Gain on sale of assets				2,500
MI	Miscellaneous local and intermediate revenue				<u>357,576</u>
TR	Total general revenues				<u>76,241,725</u>
CN	Change in net position				6,508,305
NB	Net position, beginning				<u>36,096,416</u>
NE	Net position, ending				<u>\$ 42,604,721</u>

The accompanying notes are an integral part of this financial statement.

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2021

Data Control Codes	10 <u>General Fund</u>	50 <u>Debt Service Fund</u>	60 <u>Capital Projects</u>	
<b>ASSETS</b>				
1110	Cash and cash equivalents	\$ 26,844,305	\$ 13,247,554	9,366,440
1220	Property taxes - delinquent	2,050,812	620,706	-
1230	Allowance for uncollectible taxes	( 1,061,376)	( 321,240)	-
1240	Due from other governments	9,194,143	-	-
1260	Due from other funds	2,815,078	31,178	-
1290	Other receivables	23,442	-	-
1300	Inventories	-	-	-
1410	Prepayments	129,040	-	-
1000	Total assets	<u>39,995,444</u>	<u>13,578,198</u>	<u>9,366,440</u>
<b>LIABILITIES</b>				
2110	Accounts payable	406,291	-	52,137
2150	Payroll deductions and withholdings	1,451,120	-	425
2160	Accrued wages	5,538,351	-	-
2170	Due to other funds	136,320	-	139
2180	Due to other governments	8,070	-	-
2200	Accrued expenditures/expenses	27,633	-	-
2300	Unearned revenue	-	-	-
2000	Total liabilities	<u>7,567,785</u>	<u>-</u>	<u>52,701</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue				
2601	Property taxes	<u>736,010</u>	<u>197,007</u>	<u>-</u>
2600	Total deferred inflows of resources	<u>736,010</u>	<u>197,007</u>	<u>-</u>
<b>FUND BALANCES</b>				
3430	Prepaid items	129,040	-	-
Restricted for:				
3450	Federal and state programs	-	-	-
3470	Capital acquisitions and contractual obligations	-	-	9,313,739
3480	Debt service	-	13,381,191	-
3490	Assigned for:			
	Subsequent years budget	5,951,540	-	-
Committed for:				
3545	Other	-	-	-
3600	Unassigned	<u>25,611,069</u>	<u>-</u>	<u>-</u>
3000	Total fund balances	<u>31,691,649</u>	<u>13,381,191</u>	<u>9,313,739</u>
4000	Total liabilities, deferred inflows of resources and fund balances	<u>\$ 39,995,444</u>	<u>\$ 13,578,198</u>	<u>\$ 9,366,440</u>

The accompanying notes are an integral part of this financial statement.

211 ESEA I, A Improving Basic Program	Other Funds	Total Governmental Funds
\$ 76,498	\$ 3,194,374	\$ 52,729,171
-	-	2,671,518
-	-	( 1,382,616)
1,129,627	2,115,445	12,439,215
709,440	105,046	3,660,742
-	-	23,442
-	119,633	119,633
-	-	129,040
<u>1,915,565</u>	<u>5,534,498</u>	<u>70,390,145</u>
76,250	66,402	601,080
17,466	81,396	1,550,407
243,724	428,211	6,210,286
1,578,125	1,946,254	3,660,838
-	18,252	26,322
-	-	27,633
-	78,772	78,772
<u>1,915,565</u>	<u>2,619,287</u>	<u>12,155,338</u>
-	-	933,017
-	-	933,017
-	-	129,040
-	2,252,870	2,252,870
-	-	9,313,739
-	-	13,381,191
-	-	5,951,540
-	662,341	662,341
-	-	25,611,069
<u>-</u>	<u>2,915,211</u>	<u>57,301,790</u>
\$ <u>1,915,565</u>	\$ <u>5,534,498</u>	\$ <u>70,390,145</u>

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**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT C-2**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE STATEMENT OF NET POSITION

JUNE 30, 2021

Total fund balances - governmental funds	\$ 57,301,790
<b>1</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable and retainage 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 decrease net position.	32,074,898
<b>2</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2021 capital outlays and debt principal payments is to increase net position.	8,340,118
<b>3</b> Included in the items related to debt is the recognition of the District's proportionate share of net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$7,583,312, a deferred resource inflow in the amount of \$3,995,307, and a net pension liability in the amount of \$20,377,773. This resulted in a decrease to net position.	( 16,789,768)
<b>4</b> Included in the items related to debt is the recognition of the District's proportionate share of net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$3,608,843, a deferred resource inflow in the amount of \$15,262,889, and a net OPEB liability in the amount of \$20,679,196. This resulted in a decrease to net position.	( 32,333,242)
<b>5</b> The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	( 5,876,866)
<b>6</b> 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 and grants as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, 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.	( <u>112,209</u> )
<b>19</b> Net position of governmental activities	\$ <u>42,604,721</u>

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	10	50 Debt Service Fund	60 Capital Projects	
	<u>General</u>	<u>Fund</u>	<u>Projects</u>	
<b>REVENUES</b>				
5700	Local and intermediate sources	\$ 31,464,769	\$ 13,325,915	\$ 9,141
5800	State programs	36,643,843	53,765	-
5900	Federal programs	<u>1,474,375</u>	<u>-</u>	<u>-</u>
5020	Total revenues	<u>69,582,987</u>	<u>13,379,680</u>	<u>9,141</u>
<b>EXPENDITURES</b>				
Current:				
0011	Instruction	37,995,916	-	16,036
0012	Instructional resources and media services	559,827	-	-
0013	Curriculum and staff development	1,428,049	-	-
0021	Instructional leadership	1,400,393	-	-
0023	School leadership	4,057,837	-	-
0031	Guidance, counseling, and evaluation services	1,638,527	-	-
0033	Health services	899,766	-	-
0034	Student transportation	2,188,280	-	-
0035	Food service	101,630	-	-
0036	Extracurricular activities	2,097,657	-	-
0041	General administration	2,276,608	-	279,164
0051	Facilities maintenance and operations	7,756,842	-	42,606
0052	Security and monitoring services	480,284	-	-
0053	Data processing services	1,122,039	-	-
0061	Community services	-	-	-
Debt service:				
0071	Principal on long-term debt	-	4,610,000	-
0072	Interest on long-term debt	-	5,704,475	-
0073	Bond issuance costs and fees	-	3,029	-
Capital outlay				
0081	Facilities acquisition and construction	363,052	-	2,757,461
Intergovernmental:				
0093	Payments to fiscal agent/member districts of SSA	71,802	-	-
0099	Other intergovernmental charges	<u>563,109</u>	<u>-</u>	<u>-</u>
6030	Total expenditures	<u>65,001,618</u>	<u>10,317,504</u>	<u>3,095,267</u>
1100	<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>4,581,369</u>	<u>3,062,176</u>	<u>( 3,086,126)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
7912	Sale of real or personal property	<u>2,500</u>	<u>-</u>	<u>-</u>
7080	Total other financing sources (uses)	<u>2,500</u>	<u>-</u>	<u>-</u>
1200	<b>NET CHANGE IN FUND BALANCES</b>	<u>4,583,869</u>	<u>3,062,176</u>	<u>( 3,086,126)</u>
0100	<b>FUND BALANCES, BEGINNING</b>	<u>27,107,780</u>	<u>10,319,015</u>	<u>12,399,865</u>
3000	<b>FUND BALANCES, ENDING</b>	<u>\$ 31,691,649</u>	<u>\$ 13,381,191</u>	<u>\$ 9,313,739</u>

The accompanying notes are an integral part of this financial statement.

211 ESEA I, A Improving Basic Program	Other Governmental	98 Total Governmental Funds
\$ -	\$ 809,402	\$ 45,609,227
-	392,426	37,090,034
<u>1,703,062</u>	<u>7,426,845</u>	<u>10,604,282</u>
<u>1,703,062</u>	<u>8,628,673</u>	<u>93,303,543</u>
1,537,063	2,607,128	42,156,143
-	2,479	562,306
-	173,186	1,601,235
115,000	-	1,515,393
5,264	18,753	4,081,854
-	814,071	2,452,598
12,193	-	911,959
32,856	-	2,221,136
-	3,542,259	3,643,889
-	355,194	2,452,851
-	-	2,555,772
-	32,114	7,831,562
-	103,759	584,043
-	93,143	1,215,182
686	-	686
-	-	4,610,000
-	-	5,704,475
-	-	3,029
-	297,081	3,417,594
-	-	71,802
-	-	563,109
<u>1,703,062</u>	<u>8,039,167</u>	<u>88,156,618</u>
<u>-</u>	<u>589,506</u>	<u>5,146,925</u>
<u>-</u>	<u>-</u>	<u>2,500</u>
<u>-</u>	<u>-</u>	<u>2,500</u>
<u>-</u>	<u>589,506</u>	<u>5,149,425</u>
<u>-</u>	<u>2,325,705</u>	<u>52,152,365</u>
<u>\$ -</u>	<u>\$ 2,915,211</u>	<u>\$ 57,301,790</u>

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT C-4**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds	\$ 5,149,425
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2021 capital outlays and debt principal payments is to increase to change in net position.	8,510,012
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 the change in net position.	( 5,876,866)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$1,402,552. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling \$1,356,868. Finally, the proportionate share of the TRS pension expense in the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$1,666,021. The net result is a decrease in the change in net position.	( 1,620,337)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$355,795. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling \$345,597. Finally, the proportionate share of the TRS OPEB expense in the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$575,962. The net result is an increase in the change in net position.	586,160
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, eliminating interfund transactions, 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 increase the change in net position.	( <u>240,089</u> )
Change in net position of governmental activities	\$ <u>6,508,305</u>

**CLEBURNE INDEPENDENT SCHOOL DISTRICT****EXHIBIT E-1**

## STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

JUNE 30, 2021

	<u>Private-Purpose Trust Funds</u>	<u>Custodial Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,678,033	\$ 319,040
Receivables:		
Due from other funds	<u>-</u>	<u>96</u>
Total receivables	<u>-</u>	<u>96</u>
Total assets	<u>3,678,033</u>	<u>319,136</u>
<b>LIABILITIES</b>		
Accounts payable	<u>-</u>	<u>252,484</u>
Total liabilities	<u>-</u>	<u>252,484</u>
<b>NET POSITION</b>		
Restricted for:		
Individuals, organizations and other governments	<u>3,678,033</u>	<u>66,652</u>
Total net position	<u>\$ 3,678,033</u>	<u>\$ 66,652</u>

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT E-2**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Private-Purpose Trust Funds</u>	<u>Custodial Fund</u>
<b>ADDITIONS</b>		
Contributions:		
Other	\$ <u>272,675</u>	\$ <u>-</u>
Total contributions	<u>272,675</u>	<u>-</u>
Investment earnings:		
Interest, dividends, and other	<u>2,858</u>	<u>-</u>
Total investments earnings	<u>2,858</u>	<u>-</u>
Collections from student groups	<u>-</u>	<u>125,550</u>
Total additions	<u>275,533</u>	<u>125,550</u>
<b>DEDUCTIONS</b>		
Administrative expense	51,195	-
Payments on-behalf of student groups	<u>-</u>	<u>129,513</u>
Total deductions	<u>51,195</u>	<u>129,513</u>
<b>NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION</b>	224,338	( 3,963)
<b>NET POSITION, BEGINNING</b>	3,453,695	-
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>70,615</u>
<b>NET POSITION, ENDING</b>	\$ <u>3,678,033</u>	\$ <u>66,652</u>

# CLEBURNE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The District is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District is a public educational agency operating under the applicable laws and regulations of the State of Texas. The Board has responsibility and control over all activities related to public school education within the District. The District receives funds from local, state and federal sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by GAAP. The Board has decision-making authority, the power to designate management, the ability to significantly influence operations and the primary accountability for fiscal matters. The District is not financially accountable for any other organizations; therefore, no component units are included within the reporting entity.

The accounting policies of the District substantially comply with the rules prescribed by the Texas Education Agency's (the "TEA") Financial Accountability System Resource Guide. These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

#### B. Basis of Presentation

The District prepares its financial statements in accordance with reporting practices prescribed by the Agency in the Resource Guide and the Governmental Accounting Standards Board.

#### C. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) are prepared using the accrual basis of accounting and the information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, state foundation funds, grants and other intergovernmental revenues are reported separately from business-type activities which rely to a significant extent on charge for services. The District does not have business-type activities.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Certain indirect costs are also included in the program expense reported by individual functions and activities. Program revenues include 1) charges to customers or applicants who 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. and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a given function or segment, examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. The District considers some governmental funds major and reports their financial condition and results of operations in separate columns.

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported on a flow of economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenue 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. All assets, deferred outflows, liabilities and deferred inflows associated with the operation of these funds are include on the statement of net position.

All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows, current liabilities and deferred inflows are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

The accounts of the Governmental Funds are maintained and the financial statements have been prepared on the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when they become measurable and available as net current assets. Substantially all revenues (state, federal and local property tax and interest revenues) are considered to be susceptible to accrual. Revenues from expenditure-driven grants are recognized when the expenditure is incurred. 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.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized as expenditures when due.

Property tax revenues recorded in the General Fund and Debt Service Fund are recognized under the "susceptible to accrual" concept. This District generally considers property taxes as available if they are collected within 60 days of year-end. Property taxes received after the 60-day period are not considered available and, therefore, are recorded as deferred inflow of resources in the Governmental Funds Balance Sheet totaling \$736,010 in the General Fund and \$197,007 in the Debt Service Fund. Grant revenues are recognized when expenditures are made. Charges for services and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available within 60 days of year-end.

The findings are reported using the economic resources measurement focus and the accrual basis of accounting.

**E. Purpose of Funds**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts to reflect results of activities. Major individual governmental funds are reported as separate columns in the fund financial statements. The following funds are used by the District:

***Major Governmental Funds***

General Fund – The General Fund is the District’s primary operating fund. It is used to account for all financial transactions except for those required to be accounted for in another fund. Major revenue sources include local property taxes and state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the District except for costs incurred by programs accounted for in the Special Revenue Funds, Debt Service Fund, Proprietary Fund, and Fiduciary Funds. The General Fund is a budgeted fund, and any fund balances are considered resources for current and future operations.



Debt Service Fund – The Debt Service Fund, which is a budgeted fund, accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt. Revenues include property taxes collections, state funding under the Instructional Facilities and Existing Debt Allotments, and earned interest. The fund balance represents amounts that are available for retirement of future payments of principal, interest and fees.

Capital Projects Fund – This fund, which is an unbudgeted fund, is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction, renovations, and technology projects/enhancements.

ESEA Part I, Improving Basic Programs- This fund is used to account for resources provided by the federal government which are required to be used to provide financial assistance to local educational agencies with high numbers or high percentages of children from low-income families to help ensure that all children meet challenging state academic standards.

### ***Non-major Governmental Funds***

Special Revenue Funds – These funds are used to account for federal, state and locally financed programs where unused balances are generally returned to the grantor at the close of specified project periods. Proceeds of specific revenue resources that are restricted or committed to expenditures for specified purposes, other than debt service or capital projects, are accounted for in a special revenue fund. Project accounting is employed to maintain integrity for the various sources of funds.

The District’s Food Service Fund (National Breakfast and Lunch Program) is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Breakfast and Lunch Program, (2) the General Fund subsidizes the Food Service Program for all expenditures in excess of the National Breakfast and Lunch Program, and (3) the District does not consider the Food Service Program completely self-supporting. Food Service fund balances are used exclusively for child nutrition program purposes. This is a budgeted fund.

### ***Fiduciary Funds***

Private-purpose Trust Fund – This fund is used to account for all trust agreements under which the principal and income benefit a specific school or group of students.

Fiduciary Funds – Custodial Fund — The District accounts for resources held for others in a custodial capacity in the Student Activity Fund.

## **F. Cash and Cash Equivalents**

The District’s cash and cash equivalents are considered as cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Investments for the District are reported at fair value.

## **G. Investments**

Investments are recorded at fair value. Investments are considered as and classified as cash equivalents. Investments are primarily in FDIC insured investments, savings accounts and public funds money markets and are not significantly affected by impairment of the credit standing of the issues or other factors.

## **H. Receivables and Payables**

Interfund activities result from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single “transfers” line on the government-wide statement of activities. The District did not have any transfers in or transfers out during the current fiscal year. Similarly, interfund receivables and payables are netted and presented as a single “internal balances” line of the government-wide statement of net position.

Delinquent property tax receivables are prorated between the General Fund and Debt Service Fund based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables is based on historical experience in collecting property taxes. Management periodically reviews outstanding property taxes and establishes an allowance adequate to reflect the anticipated net collectible balance. The District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Other receivables and payables may include amounts due from local, state and federal agencies resulting from excess of expenditures over revenues incurred, accrued liabilities, interest payable, and accrued wages payable.

**I. Inventories and Prepaid Items**

The District uses the consumption method to account for inventories of food products, school supplies, and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. In the General Fund, reported inventories are offset by a fund balance reserve. Inventories of food commodities used in the food service program are recorded at fair market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenues are relieved, expenditures are charged, and revenue is recognized for an equal amount.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayment in both government-wide and fund financial statements.

**J. Interfund Activities**

All interfund transactions that do not represent services provided and used between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund 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 interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due from other funds on the government-wide Statement of Net Position.

**K. Capital Assets**

Capital assets, which include land, buildings and improvements, furniture and equipment and construction in progress, are reported in the applicable governmental column in the government-wide financial statements. The cost of the infrastructure (e.g., roads, bridges, sidewalks, and similar items) was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

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

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

<u>Asset Classification</u>	<u>Useful Lives</u>
Buildings and improvements	40
Furniture and equipment	5-15
Vehicles	5-10

Land and construction in progress are not depreciable.

## **L. Long-term Obligations**

General obligation bonds which have been issued to fund the District's capital projects are to be repaid from tax revenues of the District.

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activity. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Deferred loss on refunding, will be recognized as a deferred outflow of resources and amortized to interest expense over the life of the bonds. Bond issuance costs are expensed in the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as 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.

## **M. Deferred Outflows/Inflow of Resources**

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

A deferred outflow of resources is a consumption of a government's net position (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District had the following deferred outflows of resources:

- Deferred outflows of resources for refunding – Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability, the results of differences between expected and actual experience, differences between projected and actual investment earnings, changes in actuarial assumptions, and changes in proportion and difference between the employer's contributions and the proportionate share of contributions. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year.
- Deferred outflows of resources for OPEB – Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net pension liability, the results of differences between expected and actual experience, differences between projected and actual investment earnings, changes in actuarial assumptions, and changes in proportion and difference between the employer's contributions and the proportionate share of contributions. The deferred outflows related to OPEB resulting to District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year.

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

- Deferred inflow of resources for unavailable revenues – Reported only in the governmental funds balance sheet, for unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of revenues in the period that the amounts become available. During the current year, the District recorded deferred inflow of resources as unavailable revenues – property taxes with the General Fund and Debt Service Fund respectively.

- Deferred inflow of resources for pensions – Reported in the government-wide financial statement of net position, these deferred inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, and changes in proportion and difference between the employer’s contributions and the proportionate share of contributions.
- Deferred inflow of resources for OPEB – Reported in the government-wide financial statement of net position, these deferred inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, and changes in proportion and difference between the employer’s contributions and the proportionate share of contributions.

**N. Categories and Classifications of Fund Balance and Net Position**

In accordance with GASB 54 which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The objective of GASB 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

**Government-wide Financial Statements** – Net position on the Statement of Net Position includes the following:

*Net investment in capital assets* - the component of net position that reports capital assets less both the accumulated depreciation and the outstanding balance of debt and is directly attributable to the acquisition, construction, or improvement of these capital assets.

*Restricted for federal and state programs* – the component of net position that reports the difference between assets and liabilities related to federal and state programs that consist of assets with constraints placed on their use by granting agencies.

*Restricted for debt service* – the component of net position that reports the difference between assets and liabilities adjusted on a government-wide basis that consists of assets with constraints placed on their use by the bond covenants.

*Restricted for capital projects* – funds that have been assigned for future expenditures for equipment.

*Restricted for campus activities* – funds that have been committed solely for the use by various campuses within the District.

*Restricted for other purposes* – funds that have been designated by the District to classify locally funded grants. The District does not have funds restricted for other purposes.

*Unrestricted net position* - the difference between the assets and liabilities that are not reported in net investment in capital assets or restricted net position.

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

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

**Governmental Fund Financial Statements** – In the fund financial statements, government funds report fund balances as either a non-spendable fund balance or a spendable fund balance.

*Non-spendable fund balance* – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements. Examples include inventories, long-term receivables, endowment principal, and/or prepaid/deferred items.

Spendable fund balance – Spendable fund balance includes restricted, committed, assigned, and unassigned components. These components can be described as follows:

*Restricted fund balance* – the component of the spendable fund balance constrained to a specific purpose by a provider, such as creditor, grantor, contributor, or law or regulation of other governments. Restricted fund balance includes funds for federal/state grants, long-term debt service, and other restrictions.

*Committed fund balance* – the component of spendable fund balance constrained to a specific purpose by the Board. A Board resolution is required to establish, modify, or rescind a fund balance commitment. Only the action that constitutes the most binding constraint of the Board can be considered a commitment for fund balance classification purposes. Committed fund balance includes funds for campus activity funds.

*Assigned fund balance* – the component of the spendable fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Board of Trustees or by an official or body to which the Board of Trustees delegates. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is a specific purpose that is narrower than the general purposes of the District itself.

*Unassigned fund balance* – is the residual classification of the General Fund and includes all amounts not contained in other classifications. This portion of the total fund balance in the general fund is available to finance operating expenditures. Only the General Fund will have unassigned amounts. By accounting for amounts in other funds, the District has implicitly assigned the funds for purposes of those particular funds.

The District does not have a minimum fund balance policy. The District does have an informal policy to have a minimum of 25% of annual expenditures.

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

## **O. Management's Use of Estimates**

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

The amount of state foundation revenue a district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as into the next fiscal year. It is at least reasonably possible that the foundation revenue for the fiscal year will ultimately change from the amount calculated as of June 30, 2021 because of the factors that TEA uses in its calculations.

**P. Defined Benefit Pension Plan**

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The Teacher Retirement System of Texas (TRS) administers the plan. The fiduciary net position of the TRS 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 reported to the District, deferred outflows of resources and deferred inflows of resources related to pension, 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.

**Q. Other Post-Employment Benefit Plans**

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

**R. Data Control Codes**

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

**II. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Cash Equivalents**

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

Since the District complies with this law, it has no custodial credit risk for deposits.

The District’s cash and cash equivalents, considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

The District’s cash deposits at June 30, 2021, and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District’s agent bank in the District’s name.

The following investments are considered as cash equivalents:

<u>Investment/Rating</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Weighted Average Maturity (Days)</u>
TexStar/AAAm	\$ 51,274,542	\$ 51,274,542	99.65%	37
TexPool/AAAm	26,070	26,070	0.05%	30
Lone Star/AAAm	<u>152,062</u>	<u>152,062</u>	<u>0.30%</u>	47
Totals	<u>\$ 51,452,674</u>	<u>\$ 51,452,674</u>	<u>100.00%</u>	

The District does not have any cash or cash equivalents in foreign currency; therefore, there is no foreign currency risk.

The TexStar, TexPool, and Lone Star pools each have a redemption notice period of one day and may redeem daily. The investment pools' authorities 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.

**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 the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of returns, (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. The District maintains an investment policy which authorizes the District to invest in obligations of U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements and the State Treasurer's investment pool or similar public investment pools. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

**Custodial Credit Risk – Investments** - For an investment this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District's investment are not exposed to custodial risk. External investment pools are not subject custodial risk because investments are not evidenced by securities that exist in physical or book entry form. State law limits investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. District investments are not exposed to custodial credit risk.

**Credit Risk** – This is the risk that a security issuer may default on an interest or principal payment. State law limits investment in local government pools to those that are rated AAA or equivalent by at least one Nationally Recognized Statistical Rating Organization (NRSRO). The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by agencies such as Standard and Poor's (S&P) or Moody's Investors Service, or by investing in public fund investment pools rated no lower than AAA or AAAM.

**Interest-rate Risk** – This type of risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The District's investment policy does not allow the purchase of investments that would expose the District to interest-rate risk.

**Concentration of Credit Risk** – This type of risk is defined as positions of 5 percent or more in securities of a single issuer. The District is not exposed to concentration of credit risk because the investment portfolio mainly consists of external investment pools.

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

## **B. Property Taxes**

Property taxes are levied by October 1 and are due and payable at that time. The Board establishes the District's property tax rates annually. The authorized tax rates for property taxes assessed on January 1, 2020, were \$1.05470 and \$0.4600 per \$100 for the General Fund and Debt Service Fund, respectively, based on a net assessed valuation of \$2,893,123,457.

The legally authorized tax rate limit for the District is \$1.0547 per \$100 assessed valuation for maintenance and operations. On January 1 of each year, a tax lien attaches to property to secure the payment of penalties imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and those expected to collect during the 60-day period after the close of the District's fiscal year.

Delinquent taxes are prorated between the General Fund and Debt Service Fund based 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.

Delinquent taxes receivables and the related allowance for uncollectible taxes in the governmental fund financial statements as of June 30, 2021 are as follows:

	Property Taxes - Delinquent	Allowance for Uncollectible Taxes	Unavailable Revenue - Property Taxes
General Fund	\$ 2,050,812	\$( 1,061,376)	\$( 736,010)
Debt Service Fund	<u>620,706</u>	<u>( 321,240)</u>	<u>( 197,007)</u>
Totals	<u>\$ 2,671,518</u>	<u>\$( 1,382,616)</u>	<u>\$( 933,017)</u>

Current tax collections for the levy year ended June 30, 2021 were 98.1% of the year-end adjusted tax levy.

Uncollectible personal property taxes are periodically reviewed and written off by the District. The District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

The District has an agreement with Johnson County Tax Office ("County") whereby the County bills and collects the District's property taxes.

**C. Disaggregation of Receivables and Payables**

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

There are no significant receivables which are not scheduled for collection within one year of June 30, 2021.

**D. Receivables from Other Governments**

Receivables from other governments, as of June 30, 2021, are as follow:

	Due from State
General Fund	\$ 9,194,143
ESEA I, A - Improving Basic Programs	1,129,627
Special Revenue Funds:	
Summer Food Service Program	29,313
IDEA - Part B Formula	398,279
IDEA - Part B Preschool	9,261
Career and Technical - Basic Grant	3,059
ESEA II, A - Training & Recruiting	109,168
Title III, A - English Language Acquisition	23,970
ESSER Grant II	959,220
ESSER Grant III	287,106
Other Federal Special Funds	124,501
Other State Special Revenue Funds	9,769
Advanced Placement Incentives	10,545
State Textbook Fund	<u>151,254</u>
Total Special Revenue Funds	<u>2,115,445</u>
Total receivables from other governments	<u>\$ 12,439,215</u>



**E. Interfund Receivables and Payables**

The following is a summary of amounts due to and due from other funds:

Receivable fund	Payable fund	Amount
General fund	ESEA I, A fund	\$ 1,578,125
General fund	Nonmajor governmental funds	1,236,814
General fund	Capital projects fund	139
Debt service fund	General fund	31,178
ESEA I, A fund	Nonmajor governmental funds	709,440
Custodial funds	General fund	96
Nonmajor governmental funds	General fund	<u>105,046</u>
Totals		<u>\$ 3,660,838</u>

Interfund receivables and payables generally arise from interfund loans between different funds with balances being repaid generally within one year.

**F. Operating Leases**

The District leases office equipment and automobiles under noncancelable operating leases. Total costs for such leases were \$179,757 for the year. The future minimum lease payments for active operating leases are summarized below:

Year Ending June 30	Amount
2022	\$ 160,918
2023	129,325
2024	76,090
2025	19,270
2026	<u>3,001</u>
Total	<u>\$ 388,604</u>

**G. Capital Asset Activity**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,909,266	\$ 191,781	\$ -	\$ 4,101,047
Construction in progress	<u>117,342,980</u>	<u>1,630,212</u>	<u>118,973,192</u>	<u>-</u>
Total capital assets, not being depreciated	<u>121,252,246</u>	<u>1,821,993</u>	<u>118,973,192</u>	<u>4,101,047</u>
Capital assets, being depreciated:				
Buildings and improvements	118,886,238	120,199,319	-	239,085,557
Furniture and equipment	<u>17,449,064</u>	<u>820,545</u>	<u>69,404</u>	<u>18,200,205</u>
Total capital assets, being depreciated	<u>136,335,302</u>	<u>121,019,864</u>	<u>69,404</u>	<u>257,285,762</u>
Less accumulated depreciation for:				
Buildings and improvements	62,461,268	4,625,055	-	67,086,323
Furniture and equipment	<u>12,628,726</u>	<u>1,251,811</u>	<u>69,404</u>	<u>13,811,133</u>
Total accumulated depreciation	<u>75,089,994</u>	<u>5,876,866</u>	<u>69,404</u>	<u>80,897,456</u>
Governmental activities capital assets, net	<u>\$ 182,497,554</u>	<u>\$ 116,964,991</u>	<u>\$ 118,973,192</u>	<u>\$ 180,489,353</u>

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

Governmental activities:	
11 - Instruction	\$ 1,269,246
13 - Curriculum and Staff Development	16,622
34 - Student (Pupil) Transportation	353,552
35 - Food Services	131,176
36 - Extracurricular Activities	287,404
41 - General Administration	4,356
51 - Plant Maintenance & Operations	1,571,306
52 - Security & Monitoring Services	1,477,006
53 - Data Processing Services	<u>766,198</u>
Total Depreciation Expense	<u>\$ 5,876,866</u>

#### H. Long-Term Debt

Long-term debt of the District is comprised of bonds payable, accreted interest, premium on bonds, and retainage payable. Debt service requirements for general obligation bonds are payable from fund balance and future revenues of the Debt Service Fund which consists principally of property taxes collected by the District, state funding, and interest earnings. Capital leases are paid from fund balance and future revenues of the General Fund.

The following is a summary of changes in long-term debt for government activities for the year ended June 30, 2021.

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds payable	\$ 124,879,126	\$ -	\$ 4,610,000	\$ 120,269,126	\$ 3,415,000
Accreted interest	769,904	138,547	-	908,451	-
Premium on bonds	21,044,572	-	1,179,314	19,865,258	-
Retainage payable	<u>5,197,092</u>	<u>-</u>	<u>31,347</u>	<u>5,165,745</u>	<u>5,165,745</u>
Total	<u>\$ 151,890,694</u>	<u>\$ 138,547</u>	<u>\$ 5,820,661</u>	<u>\$ 146,208,580</u>	<u>\$ 8,580,745</u>

#### I. Bonds Payable

Bonded indebtedness of the District is reflected in the statement of net position. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund in the fund financial statements.

A summary of changes in general obligation bonds for the year ended June 30, 2021, are as follows:

Issue/ Maturity Date	Interest Rates Payable	Amounts Original Issue	Beginning Balance	Accreted Interest/ Issued	Retired	Ending Balance	Amounts Due Within One Year
Series 2013							
UTSB Bonds/ 2018	1.40%/ 3.00%	8,659,995	4,955,000	-	1,150,000	3,805,000	1,185,000
Series 2014							
UTR	2.00%/						
Bonds/2029	3.69%	8,622,083	535,000	-		535,000	-
Principal on CAB		-	2,012,083	-	-	2,012,083	-
Premium on CAB		-	1,057,043	-	-	1,057,043	-
Accreted Interst on CAB		-	769,904	138,547	-	908,451	-
Series 2015							
UTR	1.00%/						
Bonds/2031	5.00%	12,740,000	11,185,000	-	290,000	10,895,000	280,000
Series 2016							
UTSB Bonds/ 2041	2.00%/ 5.00%	108,975,000	<u>105,135,000</u>	<u>-</u>	<u>3,170,000</u>	<u>101,965,000</u>	<u>1,950,000</u>
Total			<u>\$ 125,649,030</u>	<u>\$ 138,547</u>	<u>\$ 4,610,000</u>	<u>\$ 121,177,577</u>	<u>\$ 3,415,000</u>

The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds.

Year Ended June 30	Principal	Interest	Total Requirements
2022	3,415,000	5,502,775	8,917,775
2023	3,650,000	5,361,325	9,011,325
2024	3,910,000	5,210,625	9,120,625
2025	4,195,000	5,023,150	9,218,150
2026	4,490,000	4,813,400	9,303,400
2027-2031	25,710,000	21,454,800	47,164,800
2032-2036	33,145,000	15,585,000	48,730,000
2037-2041	43,695,000	6,465,500	50,160,500
	<u>122,210,000</u>	<u>\$ 69,416,575</u>	<u>\$ 191,626,575</u>
Less: accreted interest on bonds	<u>1,032,423</u>		
Par value of bonds outstanding	<u>\$ 121,177,577</u>		

A portion of the bonds sold in the Series 2014A bond issues were premium capital appreciation bonds. These obligations have par values of \$3,069,126 and maturity values of \$5,010,000. The interest on these obligations will be paid upon maturity in fiscal years ending June 30, 2027 through 2029. The accreted value of these bonds at June 30, 2021, is \$3,977,576 which has been recorded in the government-wide financial statements.

Interest and fees paid on general obligation bonds during the year was \$5,704,475.

There are numerous limitations and restrictions contained in the various general obligation bond indentures. The District has complied with all significant limitations and restrictions as of June 30, 2021.

The District's outstanding bonds payable contain a provision that in an event of default, outstanding amounts will be paid from the corpus of the Texas Permanent School Fund.

**Prior Year Defeasances of Debt**

In prior years, the District issued refunding bonds for the purpose of restructuring debt cash flow requirements. Proceeds from the refunding bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. The old bonds are considered defeased, and accordingly, the trust account assets and liabilities are not included in the District's financial statements. On June 30, 2021, the District had no bonds considered defeased and outstanding.

**J. Unearned Revenues**

Unearned revenues represent revenues received by the District but not yet earned and are not available for use by the District to liquidate current year liabilities. A summary of unearned revenues by fund follows:

Special Revenue Fund:	
National Breakfast & Lunch Program - commodity inventory	\$ <u>78,772</u>
Total	\$ <u><u>78,772</u></u>

**K. Revenue from Local and Intermediate Sources**

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

Revenues	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Totals
Property taxes	\$ 30,285,753	\$ 13,195,910	\$ -	\$ -	\$ 43,481,663
Food sales	-	-	-	277,306	277,306
Penalties, interest & other tax-related income	418,771	122,478	-	-	541,249
Tuition & fees	156,035	-	-	-	156,035
Earnings - temporary deposits & investments	27,084	7,527	9,141	2,019	45,771
Rent	167,619	-	-	-	167,619
Other revenues from local sources	223,934	-	-	2,500	226,434
Ex/curricular activities	<u>185,573</u>	<u>-</u>	<u>-</u>	<u>527,577</u>	<u>713,150</u>
Totals	<u>\$ 31,464,769</u>	<u>\$ 13,325,915</u>	<u>\$ 9,141</u>	<u>\$ 809,402</u>	<u>\$ 45,609,227</u>

**L. State Aid Revenue**

The District receives state revenues from TEA based upon application of formula allocations, on behalf allocations, and other state miscellaneous programs. The components of state program revenues as shown in the governmental fund financial statements are as follows:

Revenues	General Fund	Debt Service Fund	Other Funds	Totals
Per Capita Apportionment	\$ 3,061,790	\$ -	\$ -	\$ 3,061,790
Found. School Prg. Act Entitlements	28,842,637	-	-	28,842,637
State Program Revenues	1,053,351	53,765	392,426	1,499,542
TRS On-behalf Payments	3,649,463	-	-	3,649,463
TRS Medicare Part-D	<u>36,602</u>	<u>-</u>	<u>-</u>	<u>36,602</u>
Totals	<u>\$ 36,643,843</u>	<u>\$ 53,765</u>	<u>\$ 392,426</u>	<u>\$ 37,090,034</u>

**M. Federal Program Revenues**

The District receives federal program revenues for various programs as follows:

Revenues	General Fund	ESEA I, Improving Basic Programs	Other Funds	Totals
Indirect costs	\$ 89,463	\$ -	\$ -	\$ 89,463
School Health & Related Services	656,216	-	-	656,216
U.S. Department of Education	-	1,703,062	3,219,792	4,922,854
U.S. Department of Treasury	728,696	-	62,000	790,696
U.S. Department of Agriculture	<u>-</u>	<u>-</u>	<u>4,145,053</u>	<u>4,145,053</u>
Totals	<u>\$ 1,474,375</u>	<u>\$ 1,703,062</u>	<u>\$ 7,426,845</u>	<u>\$ 10,604,282</u>

## **N. Employee Benefits**

### **1. Compensated Absences**

Employees of the District are entitled to personal leave based on category/class of employment. Personal leave is allowed to accumulate but does not vest. Therefore, a liability for unused personal leave has not been recorded in the financial statements.

### **2. Defined Benefit Pension Plan**

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

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

**Pension Plan Fiduciary Net Position.** Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/Pages/about%20publications.aspx>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

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

In May, 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. 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.

**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	
	2020	2021
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
Current fiscal year employer contributions		\$ 1,626,550
Current fiscal year member contributions		3,864,698
2020 measurement year NECE on-behalf contributions		2,631,587

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.

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

- All public schools, charter schools, and regional educational service centers must contribute 1.5 percent of the member's salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

**Actuarial Assumptions.** The total pension liability in the August 31, 2019 actuarial valuation rolled forward to August 31, 2020 was determined using the following actuarial assumptions:

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%
Payroll Growth Rate	3.00%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Ad Hoc Post-Employment Benefit Changes	None

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

**Discount Rate.** A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2021 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all 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 August 31, 2020 are summarized below:

Asset Class	Target Allocation <sup>1</sup>	Long-Term Expected Arithmetic Real Rate of Return <sup>2</sup>	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
Stable Value			
Government Bonds	16.00%	-0.70%	-0.05%
Stable Value Hedge Funds	5.00%	1.90%	11.00%
Real Return			
Real Estate	15.00%	4.60%	1.01%
Energy and Natural Resources	6.00%	6.00%	0.42%
Risk Parity			
Risk Parity	8.00%	3.00%	0.30%
Leverage			
Cash	2.00%	-1.50%	-0.03%
Asset Allocation Leverage	-6.00%	-1.30%	0.08%
Inflation Expectation	-	-	2.00%
Volatility Drag <sup>3</sup>	-	-	-0.67%
<b>Total</b>	<b>100.00%</b>	<b>-</b>	<b>7.33%</b>

<sup>1</sup> Target allocations are based on the FY2020 policy model.

<sup>2</sup> Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020).

<sup>3</sup> The volatility drag results from the conversion between arithmetic and geometric mean returns.

**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:	\$ 31,422,162	\$ 20,377,773	\$ 11,404,450

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2021, the District's liability was \$20,377,773 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	\$ 20,377,773
State's proportionate share that is associated with District	<u>34,159,405</u>
Total	<u>\$ 54,537,178</u>

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



At August 31, 2020 the employer's proportion of the collective net pension liability was 0.0380480758% which was a decrease of 0.0029723688% from its proportion measured as of August 31, 2019.

**Changes Since the Prior Actuarial Valuation.** There were no changes in assumptions since the prior measurement date.

For the year ended June 30, 2021, the District recognized pension expense of \$7,131,507 and revenue of \$4,108,618 for support provided by the State.

At June 30, 2021, the District's 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
Difference between expected and actual actuarial experiences	\$ 37,208	\$ 568,690
Changes in actuarial assumptions	4,728,368	2,010,469
Difference between projected and actual investment earnings	412,531	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,002,653	1,416,148
Contributions paid to TRS subsequent to the measurement date	<u>1,402,552</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 7,583,312</u></b>	<b><u>\$ 3,995,307</u></b>

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:

Year Ended June 30	Pension Expense Amount
2022	\$ 819,904
2023	883,584
2024	810,281
2025	151,771
2026	( 414,256)
Thereafter	( 65,831)

### 3. 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. The TRS-Care program was established in 1986 by the Texas Legislature.

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

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

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

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

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

	TRS-Care Monthly Premium Rates	
	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

\* or surviving spouse

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

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .65% 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	
	2020	2021
Active employee	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		\$ 423,535
Current fiscal year member contributions		326,241
2020 measurement year NECE on-behalf contributions		555,589

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

TRS-Care received supplemental appropriations from the State of Texas as the non-employer contributing entity in the amount of \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

**Actuarial Assumptions.** The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions:

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

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

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

**Additional Actuarial Methods and Assumptions**

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Projected Salary Increases**	3.05% to 9.05%, including inflation
Healthcare Trend Rates	4.25% to 9.00%
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Ad Hoc Post-Employment Benefit Changes	None

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

**Discount Rate.** A single discount rate of 2.33% was used to measure the total OPEB liability. There was an decrease of .30 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was 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 (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.33%)	Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
Proportionate share of the net OPEB liability:	\$ 24,814,988	\$ 20,679,196	\$ 17,412,514

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.** At June 30, 2021, the District reported a liability of \$20,679,196 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 obligation	\$ 20,679,196
State's proportionate share that is associated with the District	<u>27,787,882</u>
Total	<u>\$ 48,467,078</u>

The net OPEB Liability was measured as of August 31, 2020 and the Total OPEB Liability used to calculate the net OPEB Liability was determined by an actuarial valuation as of that date. The 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 period September 1, 2019 thru August 31, 2020.

At August 31, 2020 the employer's proportion of the collective Net OPEB Liability was 0.0543981568% which was a decrease of .0002148254% from its proportion measured as of August 31, 2019.

**Healthcare Cost Trend Rates Sensitivity Analysis.** 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 rate is used.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of the net OPEB liability:	\$ 16,892,254	\$ 20,679,196	\$ 25,722,868

**Changes Since the Prior Actuarial Valuation.** The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

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

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

For the year ended June 30, 2021, the District recognized OPEB expense of (\$423,314) and revenue of (\$192,949) for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 1,082,755	\$ 9,463,857
Changes in actuarial assumptions	1,275,476	5,678,614
Difference between projected and actual investment earnings	6,720	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	888,097	120,418
Contributions paid to TRS subsequent to the measurement date	<u>355,795</u>	<u>-</u>
Total as of fiscal year-end	<u>\$ 3,608,843</u>	<u>\$ 15,262,889</u>

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

<u>Year ended June 30,</u>	<u>OPEB Expense Amount</u>
2022	\$( 2,001,329)
2023	( 2,002,227)
2024	( 2,002,741)
2025	( 2,002,600)
2026	( 1,450,252)
Thereafter	( 2,550,692)

#### **4. Negative Operating Grants and Contributions – Statement of Activities**

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense was negative due to changes in actuarial assumptions within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in a decrease to revenue for operating grants and contributions on the Statement of Activities. According to guidance provided directly from GASB, this is the correct reporting.

Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (excluding on- behalf accruals)
11 - Instruction	\$ 8,377,402	\$ (128,014)	\$ 8,249,388
12 - Instructional resources and media services	31,744	(1,475)	30,269
13 - Curriculum and staff development	234,838	(3,554)	231,284
21 - Instructional leadership	220,299	(3,729)	216,570
23 - School leadership	284,351	(12,255)	272,096
31 - Guidance, counseling, and evaluation services	1,069,439	(7,273)	1,062,166
33 - Health services	69,658	(2,400)	67,258
34 - Student transportation	92,403	(4,756)	87,647
35 - Food service	3,980,547	(5,351)	3,975,196
36 - Extracurricular activities	97,117	(4,511)	92,606
41 - General administration	121,377	(5,638)	115,739
51 - Facilities and maintenance and operations	275,368	(11,337)	264,031
52 - Security and monitoring services	108,074	(2,283)	105,791
53 - Data processing services	137,297	(373)	136,924
61 - Community services	686	-	686
72 - Interest on long-term debt	53,765	-	53,765
93 - Payments related to SSA	7,090	-	7,090
	<u>\$ 15,161,455</u>	<u>\$ (192,949)</u>	<u>\$ 14,968,506</u>

#### **5. Medicare Part D Coverage**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended June 30, 2021, 2020, and 2019, the subsidy payments received by TRS-Care on-behalf of the District were \$241,666 \$204,265, and \$166,091 respectively. The information for the year ended June 30, 2021 is an estimate provided by the Teachers Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

#### **6. Active Employee Health Care Coverage**

During the period ended June 30, 2021, employees of the District were covered by a state-wide health care plan, TRS Active Care. The District's participation in this plan is renewable annually. The District paid into the Plan \$225 per month per employee. Employees, at their option, pay premiums for any coverage above these amounts as well as for dependent coverage.

The Teachers Retirement System (TRS) manages TRS Active Care. The medical plan is administered by Blue Cross and Blue Shield of Texas, FIRSTCARE and Scott and White HMO. Medco Health administers the prescription drug plan. The latest financial information on the state-wide plan may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS website, [www.trs.state.tx.us](http://www.trs.state.tx.us).

#### **7. Workers' Compensation Program**

During the year, the District met its statutory workers' compensation obligations through participation in the Texas Association of School Boards ("TASB") Risk Management Fund (the "Fund"). The Fund was created and is operated under the provision of the Inter-local Cooperation Act, Chapter 491 of the Texas Governmental Code. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

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

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. For the year-ended August 31, 2019, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each 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, 2019, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

The following is the District's estimated outstanding liability as of June 30, 2021:

<u>Fund Year</u>	<u>Claim Count at 2/28/2021</u>	<u>Aggregate Liability</u>	<u>Estimated Paid Loss &amp; ALAE at 6/30/2021</u>	<u>Selected Ultimate Loss &amp; ALAE</u>	<u>District Net Retained Loss * ALAE 6/30/2021</u>
2013-14	58	\$ 249,811	\$ 94,083	\$ 94,083	\$ -
2014-15	76	251,862	260,558	251,862	-
2015-16	90	254,622	160,008	160,008	-
2016-17	100	261,948	171,530	171,530	-

**O. Commitments and Contingencies**

**State and Federal Grants**

Minimum foundation funding received from TEA is based primarily upon information concerning average daily attendance at the District's schools which is compiled by the District and supplied to TEA. Federal funding for Food Service under child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported to the United States Department of Agriculture ("USDA"). Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made in compliance with program guidelines to the grantor agencies. These programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District's administration, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the accompanying financial statements for such contingencies.

**P. Risk Management**

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

**Q. Related Party Transactions**

In fiscal year 2021, the District entered into transactions with one vendor in which a member of the Board of Trustees had a material interest. The board member disclosed this interest in accordance with HB 23. Further, the board member abstained from voting when the Board of Trustees approved the contracts and payments to the vendor. The total payments to this vendor in 2021 was \$22,988.

**R. Prior Period Adjustment**

In the implementation of GASB Statement No. 84 relating to the presentation of fiduciary activities, the District adjusted the fund balance of the custodial fund. The beginning balance of the custodial fund was established to be \$70,615, being presented as a prior period adjustment in Exhibit E-2.

**S. Subsequent Events**

In July 2021, the District issued \$63,600,000 of unlimited tax school building bonds to fund various capital projects. The interest rate on the bonds is between 3.0%-5.0% and the maturity date is February 15, 2041.

**T. New Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) issued the following statement which becomes effective in the next two fiscal years:

Statement No. 87, Leases – This Statement will improve the accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities previously classified as operating leases. It establishes a single model for lease accounting based on the principle that leases are financing the right to use an underlying asset. Under the Statement a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resource, enhancing the relevance and consistency of information about leasing activities. This Statement will become effective for the District in fiscal year 2022.

Statement No. 91, Conduit Debt Obligations – This Statement provides a single method of reporting conduit debt obligation by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB 91 will be implemented in fiscal year 2023 and the impact has not yet been determined.

Statement No. 92, Omnibus 2020 – The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB 92 will be implemented in fiscal year 2022 and the impact has not yet been determined.



**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT G-1**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL  
GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
		Original	Final		
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 29,284,862	\$ 29,284,862	\$ 31,464,769	\$ 2,179,907
5800	State programs	37,701,420	37,701,420	36,643,843	( 1,057,577)
5900	Federal programs	445,000	445,000	1,474,375	1,029,375
5020	Total revenues	<u>67,431,282</u>	<u>67,431,282</u>	<u>69,582,987</u>	<u>2,151,705</u>
<b>EXPENDITURES</b>					
Current:					
0011	Instruction	41,720,833	41,151,410	37,995,916	3,155,494
0012	Instructional resources and media sources	541,743	615,091	559,827	55,264
0013	Curriculum and staff development	1,593,025	1,517,833	1,428,049	89,784
0021	Instructional leadership	1,269,160	1,538,956	1,400,393	138,563
0023	School leadership	3,989,145	4,073,194	4,057,837	15,357
0031	Guidance, counseling, and evaluation services	1,654,431	1,651,019	1,638,527	12,492
0033	Health services	883,206	918,879	899,766	19,113
0034	Student transportation	2,328,443	2,373,443	2,188,280	185,163
0035	Food service	89,806	107,306	101,630	5,676
0036	Extracurricular activities	2,488,572	2,284,237	2,097,657	186,580
0041	General administration	2,582,704	2,432,704	2,276,608	156,096
0051	Facilities maintenance and operations	8,572,049	8,972,049	7,756,842	1,215,207
0052	Security and monitoring services	555,490	544,733	480,284	64,449
0053	Data processing services	1,383,200	1,558,213	1,122,039	436,174
0081	Facilities acquisition and construction	5,859	480,859	363,052	117,807
Intergovernmental:					
Payments related to					
0093	shared services arrangements	120,000	120,000	71,802	48,198
0095	Payments to Juvenile Justice Alternative Education Programs	12,640	12,640	-	12,640
0099	Other governmental charges	560,000	575,000	563,109	11,891
6030	Total expenditures	<u>70,350,306</u>	<u>70,927,566</u>	<u>65,001,618</u>	<u>5,925,948</u>
1100	<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>( 2,919,024)</u>	<u>( 3,496,284)</u>	<u>4,581,369</u>	<u>8,077,653</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
7912	Sale of real or personal property	-	-	2,500	2,500
7080	Total other financing sources (uses)	-	-	2,500	2,500
1200	<b>NET CHANGE IN FUND BALANCES</b>	<u>( 2,919,024)</u>	<u>( 3,496,284)</u>	<u>4,583,869</u>	<u>8,080,153</u>
0100	<b>FUND BALANCES, BEGINNING</b>	<u>27,107,780</u>	<u>27,107,780</u>	<u>27,107,780</u>	<u>-</u>
3000	<b>FUND BALANCES, ENDING</b>	<u>\$ 24,188,756</u>	<u>\$ 23,611,496</u>	<u>\$ 31,691,649</u>	<u>\$ 8,080,153</u>

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED JUNE 30, 2021

Measurement Year Ended August 31,	<u>2020</u>	<u>2019</u>
District's proportion of the net pension liability (asset)	0.0380481%	0.0410204%
District's proportionate share of the net pension liability (asset)	\$ 20,377,773	\$ 21,323,709
State's proportionate share of the net pension liability (asset) associated with the District	<u>34,159,405</u>	<u>30,886,662</u>
Total	\$ <u>54,537,178</u>	\$ <u>52,210,371</u>
District's covered-employee payroll	\$ 48,217,577	\$ 44,710,811
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	42.26%	47.69%
Plan fiduciary net position as a percentage of the total pension liability	75.54%	75.24%

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

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.0415220%	0.0398100%	0.0411719%	0.0419954%	0.0258296%
\$ 22,854,731	\$ 12,729,108	\$ 15,558,267	\$ 14,844,815	\$ 6,899,443
<u>32,700,255</u>	<u>19,670,350</u>	<u>22,945,963</u>	<u>22,040,794</u>	<u>19,174,424</u>
\$ <u>55,554,986</u>	\$ <u>32,399,458</u>	\$ <u>38,504,230</u>	\$ <u>36,885,609</u>	\$ <u>26,073,867</u>
\$ 42,903,204	\$ 41,211,496	\$ 39,874,564	\$ 38,197,429	\$ 35,778,661
53.27%	30.89%	39.02%	38.86%	19.28%
73.74%	82.17%	78.00%	78.43%	83.25%

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED JUNE 30, 2021

Fiscal Year Ended June 30,	2021	2020
Contractually required contribution	\$ 1,626,348	\$ 1,587,204
Contributions in relation to the contractually required contribution	( 1,626,550)	( 1,587,204)
Contribution deficiency (excess)	\$( 202)	\$ -
District's covered-employee payroll	\$ 50,190,821	\$ 47,578,461
Contribution as a percentage of covered-employee payroll	3.24%	3.34%

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

\* During the fiscal year 2017, the District changed its fiscal year to June 30. This represents ten months of data.

<u>2019</u>	<u>2018</u>	<u>2017*</u>	<u>2016</u>	<u>2015</u>
\$ 1,429,796	\$ 1,390,972	\$ 1,093,347	\$ 1,231,658	\$ 1,149,892
<u>( 1,429,796)</u>	<u>( 1,390,972)</u>	<u>( 1,093,347)</u>	<u>( 1,231,658)</u>	<u>( 1,149,892)</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ 44,316,256	\$ 42,618,117	\$ 34,301,830	\$ 39,874,564	\$ 38,197,429
3.23%	3.26%	3.19%	3.09%	3.01%

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED JUNE 30, 2021

Measurement Year Ended August 31,	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's Proportion of the Net OPEB Liability (Asset)	0.0543982%	0.0546130%	0.0542483%	0.0525196%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 20,679,196	\$ 25,827,148	\$ 27,086,692	\$ 22,838,805
States Proportionate Share of the Net OPEB Liability (Asset) associated with the District	<u>27,787,882</u>	<u>34,318,503</u>	<u>35,883,144</u>	<u>31,519,770</u>
Total	<u>\$ 48,467,078</u>	<u>\$ 60,145,651</u>	<u>\$ 62,969,836</u>	<u>\$ 54,358,575</u>
District's Covered Employee Payroll	\$ 48,217,577	\$ 44,710,811	\$ 42,903,204	\$ 41,211,496
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Employee Payroll	42.89%	57.76%	63.13%	55.42%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	0.91%

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



**CLEBURNE INDEPENDENT SCHOOL DISTRICT****EXHIBIT G-5****SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM**

FOR THE YEAR ENDED JUNE 30, 2021

Fiscal Year Ended June 30,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 423,852	\$ 409,698	\$ 381,556	\$ 358,248
Contribution in Relation to the Contractually Required Contribution	( 423,535)	( 409,698)	( 381,556)	( 358,248)
Contribution Deficiency (Excess)	\$ <u>317</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's Covered Employee Payroll	\$ 50,465,151	\$ 47,578,461	\$ 44,316,256	\$ 42,618,117
Contributions as a percentage of Covered Employee Payroll	0.84%	0.86%	0.86%	0.84%

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

## **CLEBURNE INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2021**

The Board of Trustees adopts an “appropriated budget” for the General Fund, Child Nutrition Program and the Debt Service Fund. 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 “Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund” and the other two reports are in Exhibit J-4 “Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Child Nutrition Program” and J-5 “Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund.”

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

1. Prior to June 20 the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days’ public notices of the meeting must be given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can be amended at the function and fund level by approval of a majority of the members of the Board. Changes can be made to the budget at any detail within the function level without an amendment approved by the Board. During the year, several budget amendments were made with Board approval. The most significant amendments were for carryover funding; mid-year adjustments of operating costs; and year-end adjustments to expenditures based on the latest information concerning operating cost. All budget appropriations lapse at year-end.

## **COMBINING SCHEDULES**

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2021

	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 2,469,841	\$ -
Due from other governments	398,279	9,261	29,313	3,059
Due from other funds	11,107	3,472	-	-
Inventories	-	-	119,633	-
Total assets	<u>409,386</u>	<u>12,733</u>	<u>2,618,787</u>	<u>3,059</u>
<b>LIABILITIES</b>				
Accounts payable	-	-	20,624	-
Payroll deductions and withholdings payable	8,700	413	69,342	-
Accrued wages payable	173,300	5,674	195,069	-
Due to other funds	227,386	6,646	2,861	3,059
Due to other governments	-	-	-	-
Unearned revenues	-	-	78,772	-
Total liabilities	<u>409,386</u>	<u>12,733</u>	<u>366,668</u>	<u>3,059</u>
<b>FUND BALANCES</b>				
Restricted for:				
Federal and state programs	-	-	2,252,119	-
Committed for:				
Other committed fund balance	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>2,252,119</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 409,386</u>	<u>\$ 12,733</u>	<u>\$ 2,618,787</u>	<u>\$ 3,059</u>

255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	277 Coronavirus Relief Fund	281 ESSER II Grant Fund	282 ESSER III Grant Fund	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives
\$ -	\$ -	\$ 62,000	\$ -	\$ -	\$ -	\$ -
109,168	23,970	-	959,220	287,106	124,501	10,545
-	24,653	-	-	-	59,907	2,120
-	-	-	-	-	-	-
<u>109,168</u>	<u>48,623</u>	<u>62,000</u>	<u>959,220</u>	<u>287,106</u>	<u>184,408</u>	<u>12,665</u>
-	-	-	-	-	41,670	-
1,156	1,368	-	-	-	182	-
29,282	22,360	-	-	-	2,526	-
78,730	24,895	62,000	959,220	287,106	140,030	12,665
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>109,168</u>	<u>48,623</u>	<u>62,000</u>	<u>959,220</u>	<u>287,106</u>	<u>184,408</u>	<u>12,665</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 109,168</u>	<u>\$ 48,623</u>	<u>\$ 62,000</u>	<u>\$ 959,220</u>	<u>\$ 287,106</u>	<u>\$ 184,408</u>	<u>\$ 12,665</u>

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**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT H-1**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2021

	410 State Textbook Fund	429 Other State Special Awards	461 Campus Activity Funds	462 Special Revenue Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ 662,527	\$ 6	\$ 3,194,374
Due from other governments	151,254	9,769	-	-	2,115,445
Due from other funds	-	3,744	43	-	105,046
Inventories	-	-	-	-	119,633
Total assets	<u>151,254</u>	<u>13,513</u>	<u>662,570</u>	<u>6</u>	<u>5,534,498</u>
<b>LIABILITIES</b>					
Accounts payable	4,108	-	-	-	66,402
Payroll deductions and withholdings payable	-	-	235	-	81,396
Accrued wages payable	-	-	-	-	428,211
Due to other funds	129,594	12,062	-	-	1,946,254
Due to other governments	17,552	700	-	-	18,252
Unearned revenues	-	-	-	-	78,772
Total liabilities	<u>151,254</u>	<u>12,762</u>	<u>235</u>	<u>-</u>	<u>2,619,287</u>
<b>FUND BALANCES</b>					
Restricted for:					
Federal and state programs	-	751	-	-	2,252,870
Committed for:					
Other committed fund balance	-	-	662,335	6	662,341
Total fund balances	<u>-</u>	<u>751</u>	<u>662,335</u>	<u>6</u>	<u>2,915,211</u>
Total liabilities and fund balances	<u>\$ 151,254</u>	<u>\$ 13,513</u>	<u>\$ 662,570</u>	<u>\$ 6</u>	<u>\$ 5,534,498</u>

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

	224 IDEA - Part B <u>Formula</u>	225 IDEA - Part B <u>Preschool</u>	240 National Breakfast and <u>Lunch Program</u>	244 Career and Technical - <u>Basic Grant</u>
<b>REVENUES</b>				
Local and intermediate sources	\$ -	\$ -	\$ 279,325	\$ -
State programs	-	-	33,881	-
Federal programs	<u>1,370,719</u>	<u>37,066</u>	<u>4,145,053</u>	<u>83,682</u>
Total revenues	<u>1,370,719</u>	<u>37,066</u>	<u>4,458,259</u>	<u>83,682</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	556,648	37,066	-	82,500
Instruction resources and media services	-	-	-	-
Curriculum and staff development	-	-	-	1,182
School leadership	-	-	-	-
Guidance, counseling and evaluation services	814,071	-	-	-
Food service	-	-	3,542,259	-
Extracurricular activities	-	-	-	-
Facilities maintenance and operations	-	-	16,505	-
Securities and monitoring services	-	-	-	-
Data processing services	-	-	-	-
Capital Outlay:				
Facilities acquisition and construction	-	-	<u>297,081</u>	-
Total expenditures	<u>1,370,719</u>	<u>37,066</u>	<u>3,855,845</u>	<u>83,682</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	602,414	-
<b>FUND BALANCES, BEGINNING</b>	<u>-</u>	<u>-</u>	<u>1,649,705</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,252,119</u>	<u>\$ -</u>



255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	277 Coronavirus Relief Fund	281 ESSER II Grant Fund	282 ESSER III Grant Fund	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	10,545
<u>208,106</u>	<u>131,152</u>	<u>62,000</u>	<u>959,220</u>	<u>287,107</u>	<u>142,740</u>	<u>-</u>
<u>208,106</u>	<u>131,152</u>	<u>62,000</u>	<u>959,220</u>	<u>287,107</u>	<u>142,740</u>	<u>10,545</u>
207,987	-	-	959,220	225,964	127,633	-
-	-	-	-	-	-	-
-	131,152	-	-	15,200	15,107	10,545
119	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	14,800	-	-
-	-	-	-	-	-	-
-	-	62,000	-	31,143	-	-
-	-	-	-	-	-	-
<u>208,106</u>	<u>131,152</u>	<u>62,000</u>	<u>959,220</u>	<u>287,107</u>	<u>142,740</u>	<u>10,545</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT H-2**

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	462 Special Revenue Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
Local and intermediate sources	\$ -	\$ -	\$ 527,577	\$ 2,500	\$ 809,402
State programs	155,506	192,494	-	-	392,426
Federal programs	-	-	-	-	7,426,845
Total revenues	<u>155,506</u>	<u>192,494</u>	<u>527,577</u>	<u>2,500</u>	<u>8,628,673</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	155,506	90,388	161,722	2,494	2,607,128
Instruction resources and media services	-	-	2,479	-	2,479
Curriculum and staff development	-	-	-	-	173,186
School leadership	-	-	18,634	-	18,753
Guidance, counseling and evaluation services	-	-	-	-	814,071
Food service	-	-	-	-	3,542,259
Extracurricular activities	-	-	355,194	-	355,194
Facilities maintenance and operations	-	-	809	-	32,114
Securities and monitoring services	-	102,106	1,653	-	103,759
Data processing services	-	-	-	-	93,143
Capital Outlay:					
Facilities acquisition and construction	-	-	-	-	297,081
Total expenditures	<u>155,506</u>	<u>192,494</u>	<u>540,491</u>	<u>2,494</u>	<u>8,039,167</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	( 12,914)	6	589,506
<b>FUND BALANCES, BEGINNING</b>	<u>-</u>	<u>751</u>	<u>675,249</u>	<u>-</u>	<u>2,325,705</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ -</u>	<u>\$ 751</u>	<u>\$ 662,335</u>	<u>\$ 6</u>	<u>2,915,211</u>

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF NET POSITION  
PRIVATE PURPOSE TRUST FUNDS

JUNE 30, 2021

	815 Nell Wiseman Neal Scholarship	816 Miscellaneous Scholarship Fund	818 Ball Snavelly Scholarship Fund	819 Pete Kendall Memorial Scholarship
<b>ASSETS</b>				
Cash and cash equivalents	\$ <u>743,699</u>	\$ <u>151,292</u>	\$ <u>111,836</u>	\$ <u>19,433</u>
Total assets	<u>743,699</u>	<u>151,292</u>	<u>111,836</u>	<u>19,433</u>
<b>LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>				
Restricted for scholarships	<u>743,699</u>	<u>151,292</u>	<u>111,836</u>	<u>19,433</u>
Total net position	<u>\$ 743,699</u>	<u>\$ 151,292</u>	<u>\$ 111,836</u>	<u>\$ 19,433</u>

820 Matt Calder Scholarship Fund	821 Lynn Palmer Scholarship Fund	822 Class of '42 Scholarship Fund	823 Johnnie Hyde Scholarship Fund	824 Alumni Scholarship Fund	825 Gerard Scholarship Fund
\$ <u>19,508</u>	\$ <u>1,749</u>	\$ <u>697</u>	\$ <u>2,260</u>	\$ <u>1,708,109</u>	\$ <u>501,564</u>
<u>19,508</u>	<u>1,749</u>	<u>697</u>	<u>2,260</u>	<u>1,708,109</u>	<u>501,564</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>19,508</u>	<u>1,749</u>	<u>697</u>	<u>2,260</u>	<u>1,708,109</u>	<u>501,564</u>
<u>\$ 19,508</u>	<u>\$ 1,749</u>	<u>\$ 697</u>	<u>\$ 2,260</u>	<u>\$ 1,708,109</u>	<u>\$ 501,564</u>

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**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT H-3**

COMBINING STATEMENT OF NET POSITION  
PRIVATE PURPOSE TRUST FUNDS

JUNE 30, 2021

	826 Green & Davis Scholarship Fund	827 Lucile Ball Scholarship Fund	828 F. Nooner Scholarship Fund	Total Private Purpose Trust Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 232,657	\$ 179,821	\$ 5,408	\$ 3,678,033
Total assets	<u>232,657</u>	<u>179,821</u>	<u>5,408</u>	<u>3,678,033</u>
<b>LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>				
Restricted for scholarships	<u>232,657</u>	<u>179,821</u>	<u>5,408</u>	<u>3,678,033</u>
Total net position	<u>\$ 232,657</u>	<u>\$ 179,821</u>	<u>\$ 5,408</u>	<u>\$ 3,678,033</u>

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PRIVATE PURPOSE TRUST FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

	815 Nell Wiseman Neal Scholarship	816 Miscellaneous Scholarship Fund	818 Bell Snavely Scholarship Fund	819 Pete Kendall Memorial Scholarship
<b>ADDITIONS</b>				
Local and intermediate sources	\$ 98	\$ 111,935	\$ 204	\$ 2
Total additions	<u>98</u>	<u>111,935</u>	<u>204</u>	<u>2</u>
<b>DEDUCTIONS</b>				
Scholarships awarded	<u>4,500</u>	<u>12,300</u>	<u>1,000</u>	<u>-</u>
Total deductions	<u>4,500</u>	<u>12,300</u>	<u>1,000</u>	<u>-</u>
Change in net position	<u>( 4,402)</u>	<u>99,635</u>	<u>( 796)</u>	<u>2</u>
<b>TOTAL NET POSITION - Beginning</b>	<u>748,101</u>	<u>51,657</u>	<u>112,632</u>	<u>19,431</u>
<b>TOTAL NET POSITION - Ending</b>	<u>\$ 743,699</u>	<u>\$ 151,292</u>	<u>\$ 111,836</u>	<u>\$ 19,433</u>



820 Matt Calder Scholarship Fund	821 Lynn Palmer Scholarship Fund	822 Class of '42 Scholarship Fund	823 Johnnie Hyde Scholarship Fund	824 Alumni Scholarship Fund	825 Gerard Scholarship Fund
\$ <u>2</u>	\$ <u>-</u>	\$ <u>1</u>	\$ <u>-</u>	\$ <u>162,152</u>	\$ <u>530</u>
<u>2</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>162,152</u>	<u>530</u>
<u>-</u>	<u>-</u>	<u>250</u>	<u>250</u>	<u>23,520</u>	<u>3,875</u>
<u>-</u>	<u>-</u>	<u>250</u>	<u>250</u>	<u>23,520</u>	<u>3,875</u>
<u>2</u>	<u>-</u>	<u>(249)</u>	<u>(250)</u>	<u>138,632</u>	<u>(3,345)</u>
<u>19,506</u>	<u>1,749</u>	<u>946</u>	<u>2,510</u>	<u>1,569,477</u>	<u>504,909</u>
\$ <u>19,508</u>	\$ <u>1,749</u>	\$ <u>697</u>	\$ <u>2,260</u>	\$ <u>1,708,109</u>	\$ <u>501,564</u>

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**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT H-4**

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PRIVATE PURPOSE TRUST FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

	826 Green & Davis Scholarship Fund	827 Lucile Ball Scholarship Fund	828 F. Nooner Scholarship Fund	Total Private Purpose Trust Funds
<b>ADDITIONS</b>				
Local and intermediate sources	\$ 274	\$ 333	\$ 2	\$ 275,533
Total additions	<u>274</u>	<u>333</u>	<u>2</u>	<u>275,533</u>
<b>DEDUCTIONS</b>				
Scholarships awarded	<u>2,500</u>	-	<u>3,000</u>	<u>51,195</u>
Total deductions	<u>2,500</u>	<u>-</u>	<u>3,000</u>	<u>51,195</u>
Change in net position	( 2,226)	<u>333</u>	( 2,998)	<u>224,338</u>
<b>TOTAL NET POSITION - Beginning</b>	<u>234,883</u>	<u>179,488</u>	<u>8,406</u>	<u>3,453,695</u>
<b>TOTAL NET POSITION - Ending</b>	<u>\$ 232,657</u>	<u>\$ 179,821</u>	<u>\$ 5,408</u>	<u>\$ 3,678,033</u>

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**REQUIRED TEXAS EDUCATION  
AGENCY SCHEDULES**

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE YEAR ENDED JUNE 30, 2021

Last Ten Years Ended June 30,	1		2	3	10
	Tax Rates			Net Assessed/ Appraised Value for School Tax Purpose	Beginning Balance 07/01/20
	Maintenance	Debt Service			
2012 and prior years	1.040000	0.196800		2,900,378,134	\$ 800,670
2013	1.040000	0.196800		2,815,894,307	73,537
2014	1.040000	0.196800		2,644,490,296	125,373
2015	1.170000	0.196800		2,608,578,516	83,306
2016	1.170000	0.196800		2,560,987,414	98,642
2017	1.170000	0.460000		2,390,457,178	144,071
2018	1.170000	0.460000		2,416,904,417	194,927
2019	1.170000	0.460000		2,564,392,393	310,060
2020	1.068300	0.460000		2,827,507,557	974,024
2021 (School year under audit)	1.054700	0.460000		2,893,123,457	-
<b>1000</b> Totals					\$ <u>2,804,610</u>

20	31	32	40	50
Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 06/30/21
\$ -	\$ 20,555	\$ 3,238	\$( 5,610)	\$ 771,267
-	4,420	836	( 424)	67,857
-	5,018	950	( 216)	119,189
-	10,339	1,739	( 118)	71,110
-	16,452	2,767	( 136)	79,287
-	17,957	7,060	( 243)	118,811
-	33,313	13,097	( 9,854)	138,663
-	80,169	31,519	( 16,850)	181,522
-	372,464	160,380	( 132,823)	308,357
<u>43,822,141</u>	<u>29,679,792</u>	<u>12,944,633</u>	<u>( 382,261)</u>	<u>815,455</u>
\$ <u>43,822,141</u>	\$ <u>30,240,479</u>	\$ <u>13,166,219</u>	\$ <u>( 548,535)</u>	\$ <u>2,671,518</u>

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT J-4**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM

FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
		Original	Final		
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 759,300	\$ 759,300	\$ 279,325	\$ ( 479,975)
5800	State programs	19,400	19,400	33,881	14,481
5900	Federal programs	<u>3,054,175</u>	<u>3,054,175</u>	<u>4,145,053</u>	<u>1,090,878</u>
5020	Total revenues	<u>3,832,875</u>	<u>3,832,875</u>	<u>4,458,259</u>	<u>625,384</u>
<b>EXPENDITURES</b>					
0035	Food service	4,044,977	4,044,977	3,542,259	502,718
0051	Facilities maintenance and operations	35,000	35,000	16,505	18,495
0081	Facilities acquisition and construction	<u>310,000</u>	<u>310,000</u>	<u>297,081</u>	<u>12,919</u>
6030	Total expenditures	<u>4,389,977</u>	<u>4,389,977</u>	<u>3,855,845</u>	<u>534,132</u>
1200	<b>NET CHANGE IN FUND BALANCES</b>	( 557,102)	( 557,102)	602,414	1,159,516
0100	<b>FUND BALANCES, BEGINNING</b>	<u>1,649,705</u>	<u>1,649,705</u>	<u>1,649,705</u>	<u>-</u>
3000	<b>FUND BALANCES, ENDING</b>	\$ <u>1,092,603</u>	\$ <u>1,092,603</u>	\$ <u>2,252,119</u>	\$ <u>1,159,516</u>



**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT J-5**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES  
BUDGET AND ACTUAL - DEBT SERVICE FUND

FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
		Original	Final		
	<b>REVENUES</b>				
5700	Local and intermediate sources	\$ 12,751,262	\$ 12,751,262	13,325,915	\$ 574,653
5800	State programs	<u>97,916</u>	<u>97,916</u>	<u>53,765</u>	<u>( 44,151)</u>
5020	Total revenues	<u>12,849,178</u>	<u>12,849,178</u>	<u>13,379,680</u>	<u>530,502</u>
	<b>EXPENDITURES</b>				
	Debt service:				
0071	Principal on long-term debt	4,610,000	4,610,000	4,610,000	-
0072	Interest on long-term debt	5,704,475	5,704,475	5,704,475	-
0073	Bond issuance costs and fees	<u>6,000</u>	<u>6,000</u>	<u>3,029</u>	<u>2,971</u>
6030	Total expenditures	<u>10,320,475</u>	<u>10,320,475</u>	<u>10,317,504</u>	<u>2,971</u>
1200	<b>NET CHANGE IN FUND BALANCES</b>	2,528,703	2,528,703	3,062,176	533,473
0100	<b>FUND BALANCES, BEGINNING</b>	<u>10,319,015</u>	<u>10,319,015</u>	<u>10,319,015</u>	<u>-</u>
3000	<b>FUND BALANCES, ENDING</b>	\$ <u>12,847,718</u>	\$ <u>12,847,718</u>	\$ <u>13,381,191</u>	\$ <u>533,473</u>

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## **COMPLIANCE SECTION**

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

Board of Trustees  
Cleburne Independent School District  
Cleburne, Texas

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

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Cleburne 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 Cleburne Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cleburne 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Cleburne 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.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
November 15, 2021

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

Board of Trustees  
Cleburne Independent School District  
Cleburne, Texas

**Report on Compliance for Each Major Federal Program**

We have audited Cleburne Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Cleburne Independent School District's major federal programs for the year ended June 30, 2021. Cleburne Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

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

## Report on Internal Control Over Compliance

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

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

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

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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas  
November 15, 2021



**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT K-1**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

(1) Federal Grantor/ Pass-through Grantor/ Grantor/Program Title	(2) Federal Assistance Listing Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures
<b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed through the Texas Education Agency:			
School Breakfast Program	10.553	71402001	\$ 70,195
National School Lunch Program	10.555	71302001	<u>224,165</u>
Total Passed through the Texas Education Agency			<u>294,360</u>
Passed through the Texas Department of Agriculture:			
Commodities - Noncash Assistance	10.555	00665	293,415
Summer Food Service Program for Children (COVID-19)	10.559	00665	<u>3,557,278</u>
Total Passed through the Texas Department of Agriculture			<u>3,850,693</u>
Total Child Nutrition Cluster			<u>4,145,053</u>
<b>TOTAL U. S. DEPARTMENT OF AGRICULTURE</b>			<u>4,145,053</u>
<b><u>U. S. DEPARTMENT OF EDUCATION</u></b>			
Passed through the Texas Education Agency:			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	21610101126903	1,722,718
Title I, 1003 School Improvement	84.010A	21610141126903	<u>11,200</u>
Total Assistance Listing 84.010A			1,733,918
IDEA - Part B, Formula	84.027A	206600011269036	133,087
IDEA - Part B, Formula	84.027A	21660001126903600	1,280,838
IDEA - Part B, Preschool	84.173A	21661001126903610	<u>38,359</u>
Total Special Education Cluster (IDEA)			<u>1,452,284</u>
20-21 PERKINS V: STRENGTHENING CTE for 21st Century	84.048A	21420006126903	83,682
Title III, Part A - English Language Acquisition	84.365A	21671001126903	133,652
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	21694501126903	212,761
ESEA, Title IV, Part A - Student Support and Academic Enrichment	84.424A	20680101126903	43,412
ESEA, Title IV, Part A - Student Support and Academic Enrichment	84.424A	21680101126903	<u>102,302</u>
Subtotal Assistance Listing 84.424A			<u>145,714</u>
Elementary and Secondary School Emergency Relief (ESSER I) (COVID-19)	84.425D	20521001126903	1,108,900
Elementary and Secondary School Emergency Relief (ESSER III) (COVID-19)	84.425U	28840327300001	<u>287,107</u>
Subtotal Assistance Listing 84.425			<u>1,396,007</u>
Instructional Continuity Grant	84.377A	17610740126903	<u>56,000</u>
Total Passed through the Texas Education Agency			<u>5,214,018</u>
<b>TOTAL U. S. DEPARTMENT OF EDUCATION</b>			<u>5,214,018</u>

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**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT K-1**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

(1) Federal Grantor/ Pass-through Grantor/ Grantor/Program Title	(2) Federal Assistance Listing Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures
<b><u>U. S. DEPARTMENT OF TREASURY</u></b>			
Passed through the Texas Division of Emergency Management			
Coronavirus Relief Fund	21.019	2020-CF-21019	<u>728,696</u>
Total U.S. Texas Division of Emergency Management			<u>728,696</u>
Passed through City of Cleburne			
Coronavirus Relief Fund (COVID-19)	21.019	N/A	<u>15,000</u>
Total passed through City of Cleburne			<u>15,000</u>
Passed through Johnson County			
Coronavirus Relief Fund (COVID-19)	21.019	N/A	<u>16,000</u>
Total passed through Johnson County			<u>16,000</u>
Passed through Texas Education Agency			
Coronavirus Relief Fund (COVID-19)	21.019	52202002	<u>31,000</u>
Total passed through Texas Education Agency			<u>31,000</u>
<b>TOTAL U. S. DEPARTMENT OF TREASURY</b>			<u>790,696</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ <u>10,149,767</u>

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

1. For all federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designed for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounting for using a current financial resources measurement focus. All federal grant funds were accounted for in special revenue funds, which are governmental fund types. With this measurement focus, only current assets, current liabilities and fund balance are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurement and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due, and certain compensated absences and claims and judgements, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant revenues are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such amounts are received, they are recorded as unearned revenues until earned. The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting.

3. The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the District has not complied with rules and regulations governing the grants, refund of any money received may be required and the collectability of any related receivable may be impaired.
4. The District has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance.
5. None of the federal programs expended by the District were passed through to subrecipients.
6. The following is a reconciliation of expenditures of federal awards program per the Schedule of Expenditures of Federal Awards and expenditures reported in the financial statements as follows:

Federal revenues per the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds (Exhibit C-3)	\$	10,604,282
Less:		
School health and related services revenue	(	656,216)
E-Rate Reimbursement	(	3,979)
ESSER II funds recognized but not yet approved	(	959,220)
Add:		
ESSER funds recognized in prior year but not approved until current year		1,108,900
Instructional Continuity grant funds recognized in prior year but not approved until current year		<u>56,000</u>
Federal expenditures per the Schedule of Expenditures of Federal and State Awards (Exhibit K-1)	\$	<u><u>10,149,767</u></u>

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2021

**Summary of Auditor's Results**

Financial Statements:

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted?

None

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

None

Identification of major federal programs:

Assistance Listing Number(s):

Name of Federal Program or Cluster:

84.027A, 84.173A

Special Education Cluster (IDEA)

21.019

Coronavirus Relief Fund (COVID-19)

84.425D

Elementary and Secondary School Emergency Relief (ESSER) (COVID-19)

Dollar threshold used to distinguish between type A and type B federal programs

\$750,000

Auditee qualified as low-risk auditee?

Yes

**Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards**

None

**Findings and Questioned Costs for Federal Awards**

None



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SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021

None.