

PALO PINTO INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2021

Palo Pinto Independent School District
Annual Financial Report
For The Year Ended August 31, 2021

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Introductory Section

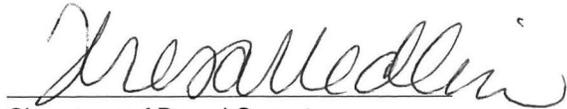
CERTIFICATE OF BOARD

Palo Pinto Independent School District
Name of School District

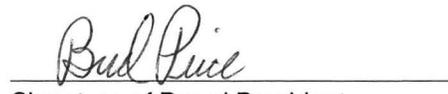
Palo Pinto
County

182-906
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2021, at a meeting of the board of trustees of such school district on the 18th day of January, 2022.



Signature of Board Secretary



Signature of Board President

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

Financial Section



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Trustees
Palo Pinto Independent School District
P.O. Box 280
Palo Pinto, Texas 76484

Report on the Audit of the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Palo Pinto Independent School District as of August 31, 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in fiscal year 2021, Palo Pinto Independent School District adopted new accounting guidance, Governmental Accounting Standards Board 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 information, schedule of the District's proportionate share of the net pension liability, schedule of District pension contributions, schedule of the District's proportionate share of the net OPEB liability, and schedule of District OPEB contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Palo Pinto Independent School District's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The other supplementary information, except for Exhibit J-5, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and Exhibit J-5 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2022 on our consideration of Palo Pinto Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Palo Pinto Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Snow Garrett Williams
January 4, 2022

Management's Discussion and Analysis (Unaudited)

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2021. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent period by \$743,284 (*net position*). Of this amount, \$74,036 is *unrestricted net position*.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,030,615. Approximately 60% of this total amount, \$617,427, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$617,427 or 11% of the total general fund expenditures.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this 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 (*governmental 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. The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole.

- 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 of the funds of the District are governmental funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 14-18 of this report.

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 and fund financial statements. The notes to the financial statements can be found on pages 19-40 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 41-46 of this report.



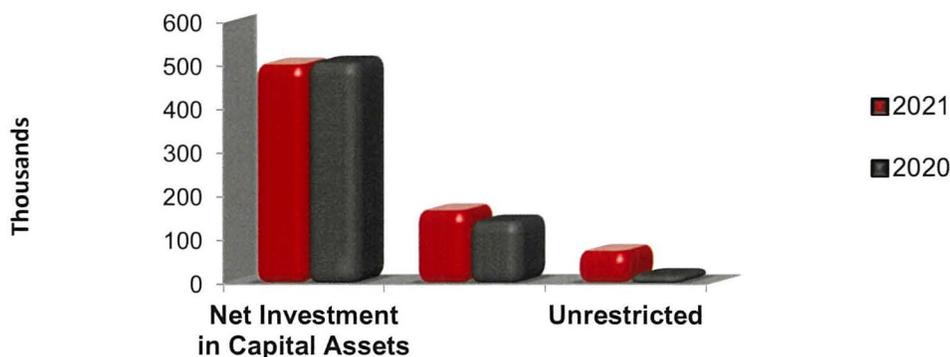
Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$743,284 as of August 31, 2021.

The District's Net Position

	<u>August 31, 2021</u>	<u>August 31, 2020</u>
Current assets	\$ 1,365,725	\$ 1,070,807
Capital assets	2,854,581	3,020,572
Total assets	<u>4,220,306</u>	<u>4,091,379</u>
Deferred outflow related to pensions	122,050	163,970
Deferred outflow related to OPEB	48,991	56,271
Total deferred outflows of resources	<u>171,041</u>	<u>220,241</u>
Current liabilities	264,581	54,706
Long-term liabilities outstanding	2,995,540	3,270,481
Total liabilities	<u>3,260,121</u>	<u>3,325,187</u>
Deferred inflow related to pensions	80,478	83,402
Deferred inflow related to OPEB	307,464	235,657
Total deferred inflows of resources	<u>387,942</u>	<u>319,059</u>
Net position:		
Net investment in capital assets	502,185	506,726
Restricted	167,063	141,856
Unrestricted	74,036	18,792
Total net position	<u>\$ 743,284</u>	<u>\$ 667,374</u>

Net Position - August 31, 2021



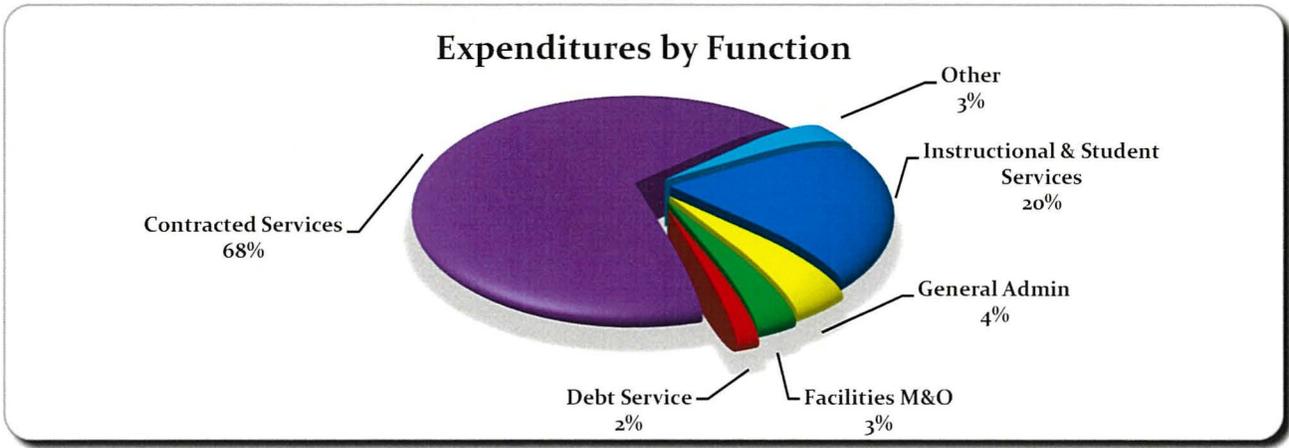
Investment in capital assets (e.g., land, buildings and improvements, furniture and equipment) is \$502,185. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets 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, \$167,063, represents resources that are subject to external restrictions on how they may be used.

The remaining balance of unrestricted net position is \$74,036. This surplus is an indication that the District has significant resources available to meet financial obligations next year.

Governmental activities. The District's total net position increased \$75,910. The total cost of all *governmental activities* this year was \$5,986,095. The amount that our taxpayers paid for these activities through property taxes was \$5,708,954 or 95%.

Changes in the District's Net Position

	Fiscal Year August 31, 2021	Fiscal Year August 31, 2020
Revenues:		
Program revenues		
Charges for services	\$ 6,741	\$ 11,911
Operating grants and contributions	288,820	251,599
General revenues		
Property taxes	5,708,954	5,507,417
State grants	42,934	111,454
Other	14,556	14,593
Total revenues	6,062,005	5,896,974
Expenses:		
Instruction	898,812	949,247
Instructional resources and media services	1,511	1,447
Curriculum and staff development	1,142	565
School leadership	85,417	66,782
Guidance, counseling, & evaluation services	31,090	30,122
Health services	5,358	7,816
Student transportation	81,974	71,363
Food service	85,857	89,117
Cocurricular/extracurricular activities	4,381	5,007
General administration	251,911	258,178
Facilities maintenance and operations	174,989	147,502
Security and monitoring services	15,480	28,717
Data processing services	48,358	48,355
Interest on long-term debt	83,573	88,086
Bond issuance costs and fees	2,940	2,940
Contracted instructional services between schools	4,080,022	3,781,056
Payments related to shared service arrangements	10,527	10,531
Other intergovernmental charges	122,753	123,535
Total expenses	5,986,095	5,710,366
Increase (decrease) in net position	75,910	186,608
Beginning net position	667,374	480,766
Prior period adjustment	-	-
Beginning net position, as restated	667,374	480,766
Ending net position	\$ 743,284	\$ 667,374



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,030,615, an increase of \$121,540. Approximately 60% of this total amount (\$617,427) constitutes *unassigned fund balance*. The remaining fund balance is *restricted, committed, or assigned* to indicate that it is not available for new spending because it has already been restricted to pay debt service (\$163,600); committed to pay for (1) construction related expenditures of (\$238,975) and (2) other balances (\$549); and assigned for scholarships (\$10,064).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$617,427, out of a total fund balance of \$866,466. Unassigned fund balance represents 11% of the total general fund expenditures.

The fund balance of the District's general fund increased \$94,682 during the current fiscal year. Key factors in this increase are:

- Increased revenue in tax collections, adherence to budgeted expenditures, and a decrease in unbudgeted and unexpected expenditures.

General Fund Budgetary Highlights

Over the course of the year, the District recommended and the Board approved several revisions to budgeted revenue and appropriations. These amendments fall into the following categories:

Fund 199 General Operating

- 1.) Function 00-5700 Revenue increase in line with surplus collected over budgeted amount and TRS on Behalf entry
- 2.) Function 51 Plant Maintenance increase to account for unbudgeted Ice machine, August utilities, maintenance & repairs
- 3.) Function 91 Recapture increase to account for ESSER II, prior year final settle-up unaccounted for in audited opening financial statement 2181, additional balance due reflected in recapture payment ledger, and overage on Recapture payment made in August 2021
- 4.) Function 00-8911 Expenditure increase to ensure that enough revenue is available for overage in Food Service and to balance with below increase in Food Service Revenue

Fund 240 Food Service

Function 00-7915 Revenue increase to balance Food Service Fund and ensure that the fund can payout the amount listed on the expenditure side of the budget.

The following are significant variations between the final budget and actual amounts for the general fund:

- Actual revenues were higher than budgeted amounts by \$42,834; primarily related to increases in local and intermediate revenues; and
- Actual expenditures were lower than budgeted amounts by \$220,975, primarily related to reductions in instruction, student (pupil) transportation, and plant maintenance and operations.

Capital Asset and Debt Administration

Capital assets. The District’s investment in capital assets for its governmental activities as of August 31, 2021, amounts to \$2,854,581 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

Districts Capital Assets (Net of Depreciation)

	August 31, 2021	August 31, 2020
Land	\$ 69,113	\$ 69,113
Buildings and improvements	2,659,056	2,801,741
Furniture and equipment	126,412	149,718
Total at historical cost	<u>\$ 2,854,581</u>	<u>\$ 3,020,572</u>

Additional information on the District’s capital assets can be found in Note D on page 25 of this report.

Long-term debt. As of August 31, 2021, the District had total general obligation bonded debt outstanding of \$2,275,000, a decrease of \$155,000 over the prior year. The premium balance for these bonds was \$77,396, a decrease of \$6,450. The net pension liability for fiscal year 2021 had an ending balance of \$301,395 a decrease of \$15,260 from the prior year. The net OPEB liability for fiscal year 2021 had an ending balance of \$341,749, derived a decrease of \$98,231 from the prior year.

The District’s bonds are rated “AAA” by virtue of the guarantee of the Permanent School Fund of the State of Texas. State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The current debt limitation for the District is \$55,785,399.

Additional information on the District’s long-term debt can be found in Note F on page 26-27 of this report.

Economic Factors and Next Year’s Budgets and Rates

- The District’s student attendance rate remains stable at 96 percent.
- The District’s enrollment has remained stable.
- The District’s taxable valuation has increased by 6.6 percent thereby generating more tax revenue in the general fund (The District in FY 2020-2021 was at \$.9667 per \$100 in assessed property value and is currently at \$.9300, beginning in FY 2021-2022, per \$100 in assessed property value, the maximum tax rate allowable by state law for maintenance and operations).
- The District has appropriated revenues and expenditures in the 2021-2022 budgets of \$6,162,707 and \$6,306,757, respectively.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Superintendent, Palo Pinto I.S.D., P. O. Box 280, Palo Pinto, Texas, 76484.



Basic Financial Statements

PALO PINTO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

AUGUST 31, 2021

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 1,236,988
1225	<i>Property Taxes Receivable (Net)</i>	74,351
1240	<i>Due from Other Governments</i>	51,115
1410	<i>Unrealized Expenses</i>	3,271
Capital Assets:		
1510	<i>Land</i>	69,113
1520	<i>Buildings and Improvements, Net</i>	2,659,056
1530	<i>Furniture and Equipment, Net</i>	126,412
1000	Total Assets	<u>4,220,306</u>
DEFERRED OUTFLOWS OF RESOURCES:		
	<i>Deferred Outflow Related to Pensions</i>	122,050
	<i>Deferred Outflow Related to OPEB</i>	48,991
1700	Total Deferred Outflows of Resources	<u>171,041</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	10,575
2140	<i>Interest Payable</i>	3,822
2165	<i>Accrued Liabilities</i>	59,472
2180	<i>Due to Other Governments</i>	190,304
2300	<i>Unearned Revenue</i>	408
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	155,000
2502	<i>Due in More Than One Year</i>	2,197,396
2540	<i>Net Pension Liability</i>	301,395
2545	<i>Net OPEB Liability</i>	341,749
2000	Total Liabilities	<u>3,260,121</u>
DEFERRED INFLOWS OF RESOURCES:		
	<i>Deferred Inflow Related to Pensions</i>	80,478
	<i>Deferred Inflow Related to OPEB</i>	307,464
2600	Total Deferred Inflows of Resources	<u>387,942</u>
NET POSITION:		
3200	Net Investment in Capital Assets	502,185
Restricted For:		
3850	Debt Service	167,063
3900	Unrestricted	74,036
3000	Total Net Position	<u>\$ 743,284</u>

The accompanying notes are an integral part of this statement.

PALO PINTO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	Instruction	\$ 898,812	\$ 377	\$ 149,439	\$ (748,996)	
12	Instructional Resources and Media Services	1,511	1	13	(1,497)	
13	Curriculum and Staff Development	1,142	1	13	(1,128)	
23	School Leadership	85,417	44	815	(84,558)	
31	Guidance, Counseling, and Evaluation Services	31,090	16	281	(30,793)	
33	Health Services	5,358	3	58	(5,297)	
34	Student Transportation	81,974	42	832	(81,100)	
35	Food Service	85,857	3,581	56,949	(25,327)	
36	Cocurricular/Extracurricular Activities	4,381	2	45	(4,334)	
41	General Administration	251,911	130	2,446	(249,335)	
51	Facilities Maintenance and Operations	174,989	90	2,885	(172,014)	
52	Security and Monitoring Services	15,480	3	8,027	(7,450)	
53	Data Processing Services	48,358	25	510	(47,823)	
72	Interest on Long-term Debt	83,573	--	16,957	(66,616)	
73	Bond Issuance Costs and Fees	2,940	--	--	(2,940)	
91	Contracted Instructional Services between Schools	4,080,022	2,420	49,427	(4,028,175)	
93	Payments Related to Shared Services Arrangements	10,527	6	123	(10,398)	
99	Other Intergovernmental Charges	122,753	--	--	(122,753)	
TG	Total Governmental Activities	<u>5,986,095</u>	<u>6,741</u>	<u>288,820</u>	<u>(5,690,534)</u>	
TP	Total Primary Government	<u>\$ 5,986,095</u>	<u>\$ 6,741</u>	<u>\$ 288,820</u>	<u>(5,690,534)</u>	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				5,437,067	
DT	Property Taxes, Levied for Debt Service				271,887	
IE	Investment Earnings				5,224	
GC	Grants and Contributions Not Restricted to Specific Programs				42,934	
MI	Miscellaneous				9,332	
TR	Total General Revenues				<u>5,766,444</u>	
CN	Change in Net Position				75,910	
NB	Net Position - Beginning				667,374	
NE	Net Position - Ending				<u>\$ 743,284</u>	

The accompanying notes are an integral part of this statement.

PALO PINTO INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2021

Data Control Codes	10	General Fund	ESSER Fund II of CRRSA Act
ASSETS:			
1110	<i>Cash and Cash Equivalents</i>	\$ 1,069,471	\$ --
1220	<i>Taxes Receivable</i>	117,104	--
1230	<i>Allowance for Taxes Receivable (Credit)</i>	(46,216)	--
1240	<i>Due from Other Governments</i>	6,714	41,265
1260	<i>Due from Other Funds</i>	41,265	--
1410	<i>Unrealized Expenditures</i>	3,422	--
1000	Total Assets	<u>\$ 1,191,760</u>	<u>\$ 41,265</u>
LIABILITIES:			
Current Liabilities:			
2110	<i>Accounts Payable</i>	\$ 7,916	\$ --
2160	<i>Accrued Wages Payable</i>	54,133	--
2170	<i>Due to Other Funds</i>	--	41,265
2180	<i>Due to Other Governments</i>	190,304	--
2200	<i>Accrued Expenditures</i>	2,053	--
2300	<i>Unearned Revenue</i>	--	--
2000	Total Liabilities	<u>254,406</u>	<u>41,265</u>
DEFERRED INFLOWS OF RESOURCES:			
	<i>Property Taxes</i>	70,888	--
2600	Total Deferred Inflows of Resources	<u>70,888</u>	<u>--</u>
FUND BALANCES:			
Restricted Fund Balances:			
3480	<i>Retirement of Long-Term Debt</i>	--	--
Committed Fund Balances:			
3510	<i>Construction</i>	238,975	--
3545	<i>Other Committed Fund Balance - Campus Activities</i>	--	--
Assigned Fund Balances:			
3590	<i>Other Assigned Fund Balance - Scholarships</i>	10,064	--
3600	Unassigned	617,427	--
3000	Total Fund Balances	<u>866,466</u>	<u>--</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 1,191,760</u>	<u>\$ 41,265</u>

The accompanying notes are an integral part of this statement.

50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 163,323	\$ 4,194	\$ 1,236,988
5,093	--	122,197
(1,630)	--	(47,846)
335	2,801	51,115
--	--	41,265
--	--	3,422
<u>\$ 167,121</u>	<u>\$ 6,995</u>	<u>\$ 1,407,141</u>
\$ --	\$ 2,659	\$ 10,575
--	3,304	57,437
--	--	41,265
--	--	190,304
--	133	2,186
58	350	408
<u>58</u>	<u>6,446</u>	<u>302,175</u>
3,463	--	74,351
<u>3,463</u>	<u>--</u>	<u>74,351</u>
163,600	--	163,600
--	--	238,975
--	549	549
--	--	10,064
--	--	617,427
<u>163,600</u>	<u>549</u>	<u>1,030,615</u>
<u>\$ 167,121</u>	<u>\$ 6,995</u>	<u>\$ 1,407,141</u>

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

Total fund balances - governmental funds balance sheet	\$ 1,030,615
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	74,351
Capital assets used in governmental activities are not reported in the funds.	2,854,581
Deferred Resource Outflows related to the pension plan are not reported in the funds.	122,050
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	48,991
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(301,395)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(341,749)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(80,478)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(307,464)
Payables for bond principal which are not due in the current period are not reported in the funds.	(2,275,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(3,822)
Premiums on bonds which are not due and payable in the current period are not reported in the funds.	<u>(77,396)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 743,284</u>

The accompanying notes are an integral part of this statement.

PALO PINTO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 5,489,553	\$ 273,818	\$ 3,579	\$ 5,766,950
5800 <i>State Program Revenues</i>	107,485	1,205	46,536	155,226
5900 <i>Federal Program Revenues</i>	--	--	162,582	162,582
5020 Total Revenues	<u>5,597,038</u>	<u>275,023</u>	<u>212,697</u>	<u>6,084,758</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	654,264	--	143,005	797,269
0012 <i>Instructional Resources and Media Services</i>	1,360	--	--	1,360
0013 <i>Curriculum and Staff Development</i>	1,028	--	--	1,028
0023 <i>School Leadership</i>	76,110	--	--	76,110
0031 <i>Guidance, Counseling, & Evaluation Services</i>	27,592	--	--	27,592
0033 <i>Health Services</i>	4,822	--	--	4,822
0034 <i>Student Transportation</i>	73,461	--	--	73,461
0035 <i>Food Service</i>	2,958	--	73,477	76,435
0036 <i>Cocurricular/Extracurricular Activities</i>	4,023	--	--	4,023
0041 <i>General Administration</i>	225,230	--	--	225,230
0051 <i>Facilities Maintenance and Operations</i>	155,919	--	1,137	157,056
0052 <i>Security and Monitoring Services</i>	5,876	--	7,968	13,844
0053 <i>Data Processing Services</i>	43,521	--	--	43,521
0071 <i>Principal on Long-term Debt</i>	--	155,000	--	155,000
0072 <i>Interest on Long-term Debt</i>	--	90,225	--	90,225
0073 <i>Bond Issuance Costs and Fees</i>	--	2,940	--	2,940
0091 <i>Contracted Instructional Services</i>				
0091 <i>Between Public Schools</i>	4,080,022	--	--	4,080,022
0093 <i>Payments to Shared Service Arrangements</i>	10,527	--	--	10,527
0099 <i>Other Intergovernmental Charges</i>	122,753	--	--	122,753
6030 Total Expenditures	<u>5,489,466</u>	<u>248,165</u>	<u>225,587</u>	<u>5,963,218</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>107,572</u>	<u>26,858</u>	<u>(12,890)</u>	<u>121,540</u>
Other Financing Sources and (Uses):				
7915 <i>Transfers In</i>	--	--	12,890	12,890
8911 <i>Transfers Out</i>	(12,890)	--	--	(12,890)
7080 Total Other Financing Sources and (Uses)	<u>(12,890)</u>	<u>--</u>	<u>12,890</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>94,682</u>	<u>26,858</u>	<u>--</u>	<u>121,540</u>
0100 Fund Balances - Beginning	<u>771,784</u>	<u>136,742</u>	<u>549</u>	<u>909,075</u>
3000 Fund Balances - Ending	<u>\$ 866,466</u>	<u>\$ 163,600</u>	<u>\$ 549</u>	<u>\$ 1,030,615</u>

The accompanying notes are an integral part of this statement.

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

Net change in fund balances - total governmental funds	\$ 121,540
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(36,699)
The depreciation of capital assets used in governmental activities is not reported in the funds.	(165,991)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These pension contributions made after the measurement date of the plan increased ending net position.	24,205
Pension contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction to NPL.	(23,219)
Changes in the net pension liability and related deferred inflows and outflows are recognized in the government wide financials but are not reported in the fund financial statements. The effect of the change is a decrease in net position.	(24,722)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These OPEB contributions made after the measurement date of the plan increased net position.	7,017
OPEB contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in the net OPEB liability.	(6,833)
Changes in the net OPEB liability and related deferred inflows and outflows are recognized in the government wide financials but are not reported in the fund financial statements. The effect of the change is an increase in net position.	18,960
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	155,000
(Increase) decrease in accrued interest on bonds from beginning of period to end of period.	202
Premiums on bonds are amortized in the SOA but not in the funds.	<u>6,450</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 75,910</u>

The accompanying notes are an integral part of this statement.

PALO PINTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

Debt Service Fund: This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

ESSER II of the CRRSA Act of 2021: This fund is used to account for federal stimulus ESSER II funds granted to Local Education Agencies ("LEAs") through Coronavirus Response and Relief Supplemental Appropriations ("CRRSA") Act of 2021 to support an LEA's ability to operate, instruct, address learning loss, prepare schools for reopening, test, repair, and upgrade projects to improve air quality in school buildings during the coronavirus pandemic.

PALO PINTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

b. Measurement Focus, Basis of Accounting

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

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

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

3. Financial Statement Amounts

a. Property Taxes

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

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

b. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

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

PALO PINTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	15-30 years
Equipment	5-20 years

d. Deferred Outflows and Inflows of Resources

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

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

e. Receivable and Payable Balances

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

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

f. Interfund Activity

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

g. Use of Estimates

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

PALO PINTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

h. Data Control Codes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

j. Net Position Flow Assumption

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

PALO PINTO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2021

k. 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.

4. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to / deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

5. Other Post-Employment Benefits

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

6. Implementation of New Standards

GASB Statement No. 84, *Fiduciary Activities*

This statement establishes standards of accounting and financial reporting by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

B. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2021, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,236,988 and the bank balance was \$1,255,654. The District's cash deposits at August 31, 2021 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

PALO PINTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

2. Investments:

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

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

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

The District has no investments at August 31, 2021.

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

PALO PINTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

e. Foreign Currency Risk

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

Investment Accounting Policy

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

C. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 69,113	\$ --	\$ --	\$ 69,113
Total capital assets not being depreciated	<u>69,113</u>	<u>--</u>	<u>--</u>	<u>69,113</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	4,713,197	--	--	4,713,197
Equipment	377,430	--	--	377,430
Total capital assets being depreciated	<u>5,090,627</u>	<u>--</u>	<u>--</u>	<u>5,090,627</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,911,456)	(142,685)	--	(2,054,141)
Equipment	(227,712)	(23,306)	--	(251,018)
Total accumulated depreciation	<u>(2,139,168)</u>	<u>(165,991)</u>	<u>--</u>	<u>(2,305,159)</u>
Total capital assets being depreciated, net	<u>2,951,459</u>	<u>(165,991)</u>	<u>--</u>	<u>2,785,468</u>
Governmental activities capital assets, net	<u>\$ 3,020,572</u>	<u>\$ (165,991)</u>	<u>\$ --</u>	<u>\$ 2,854,581</u>

Depreciation was charged to functions as follows:

Instruction	\$ 88,589
Instructional Resources and Media Services	151
Curriculum and Staff Development	114
School Leadership	8,458
Guidance, Counseling, & Evaluation Services	3,066
Health Services	536
Student Transportation	8,164
Food Services	8,494
Extracurricular Activities	358
General Administration	24,618
Plant Maintenance and Operations	17,067
Security and Monitoring Services	1,539
Data Processing Services	4,837
	<u>\$ 165,991</u>

PALO PINTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

D. Interfund Balances and Activities

1. Due To and From Other Funds

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

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	ESSER II Fund	\$ 41,265	Short term loan until grant revenue is received for reimburseable expenditures
	Total	<u>\$ 41,265</u>	

2. Transfers To and From Other Funds

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

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Other Governmental Funds	\$ 12,890	To supplement Food Service Fund
	Total	<u>\$ 12,890</u>	

E. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

1. Long-Term Obligation Activity

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
General Obligation Bonds	\$ 2,430,000	\$ --	\$ 155,000	\$ 2,275,000	\$ 155,000
Premium on Bond Issuance	83,846	--	6,450	77,396	--
Net Pension Liability *	316,655	--	15,260	301,395	--
Net OPEB Liability *	439,980	--	98,231	341,749	--
Total governmental activities	<u>\$ 3,270,481</u>	<u>\$ --</u>	<u>\$ 274,941</u>	<u>\$ 2,995,540</u>	<u>\$ 155,000</u>

* Other long-term liabilities

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

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

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2. Debt Service Requirements

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

<u>Year Ending August 31</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	
2022	\$ 155,000	\$ 85,575	\$ 240,575
2023	155,000	80,925	235,925
2024	165,000	75,300	240,300
2025	170,000	68,600	238,600
2026	175,000	61,700	236,700
2027-2031	995,000	194,500	1,189,500
2032-2036	460,000	18,600	478,600
Totals	<u>\$ 2,275,000</u>	<u>\$ 585,200</u>	<u>\$ 2,860,200</u>

The interest rate on the Unlimited Tax School Building and Refunding Bond, Series 2013 ranges from 2.00% to 4.00% and matures on February 15, 2033.

The District did not have any unused lines of credit, assets pledged as collateral for debt, or terms specified in debt agreements related to significant events of default with finance-related consequences, termination events with finance-related consequences, or subjective acceleration clauses as of August 31, 2021.

F. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2021, as follows:

<u>Year Ending August 31</u>	
2022	\$ 2,091
2023	2,091
2024	174
Total Minimum Rentals	<u>\$ 4,356</u>
Rental Expenditures in 2021	<u>\$ 2,091</u>

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2021, the District carried insurance through various plans described below.

Property Casualty Program

During fiscal year 2021, the District participated in the Texas Association of School Boards Risk Management Fund (the Fund) with coverage in Auto Liability, Auto Physical Damage, Property, Privacy and Information Security, and School Liability. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. 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 years.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2021, the Fund anticipates Palo Pinto ISD has no additional liability beyond the contractual obligations for payment of contributions.

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

Workers' Compensation

The District has established a partially self-funded workers' compensation plan by participating in the Texas Educational Insurance Association. The Association is a public entity risk pool currently operating as a common risk management and insurance program for member colleges and school districts. The main purpose of the Association is to partially self-insure certain workers compensation risks up to an agreed-upon retention limit. The plan for workers' compensation benefits is authorized by Section 504.011 of the Labor Code. Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. The liability of the workers' compensation self-insurance plan includes \$1,211 incurred but not reported claims. Estimates of claims payable and of claims incurred but not reported at August 31, 2021, are reflected as accounts and claims payable, if material. The plan is funded to discharge liabilities of the fund as they become due.

Changes in the balances of claim liabilities during the past year are as follows:

	Year Ended 8/31/2021	Year Ended 8/31/2020
Unpaid claims, beginning of year	\$ 3,690	\$ 4,746
Incurred claims	621	(432)
Claim payments	(470)	(624)
Unpaid claims, end of fiscal year	<u>\$ 3,841</u>	<u>\$ 3,690</u>

Unemployment Compensation

During the year ended August 31, 2021 the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2021, the Fund anticipates that Palo Pinto ISD has no additional liability beyond the contractual obligation for payment of contribution.

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

PALO PINTO INDEPENDENT SCHOOL DISTRICT
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H. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

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

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their) beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (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 cost of living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1) above.

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

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

4. Contributions

Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% 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.

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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 through 2025.

	<u>Contribution Rates</u>	
	2020	2021
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
District's 2021 Employer Contributions	\$ 24,205	
District's 2021 Member Contributions	\$ 63,721	
2020 NECE On-Behalf Contributions (State)	\$ 46,261	

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 is an additional surcharge an employer is subject to.

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

PALO PINTO INDEPENDENT SCHOOL DISTRICT

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

5. Actuarial Assumptions

The total pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	2.33%
Last year ending August 31 in Projection Period	2119
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Ad hoc post-employment benefit changes	None

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

6. Discount Rate

A single discount rate of 7.25% 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%. 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% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

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

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Asset Class	Target Allocation *	Long-Term Expected Arithmetic Real Rate of Return **	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
Stable Value			
Government Bonds	16.00%	(0.70)%	(0.05)%
Stable Value Hedge Funds	5.00%	1.90%	0.11%
Real Return			
Real Estate	15.00%	4.60%	1.01%
Energy, Natural Resources & Infrastructure	6.00%	6.00%	0.42%
Risk Parity			
Risk Parity	8.00%	3.00%	0.30%
Leverage			
Cash	2.00%	1.50%	(0.03)%
Asset Allocation Leverage	(6.00%)	1.30%	0.08%
Inflation Expectation			2.00%
Volatility Drag ***	-		(0.67)%
Total	<u>100.0%</u>		<u>7.33%</u>
<p>* Target allocations are based on the FY2020 policy model. ** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020) *** The volatility drag results from the conversion between arithmetic and geometric mean returns.</p>			

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
District's proportionate share of the net pension liability:	\$ 464,745	\$ 301,395	\$ 168,676

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

At August 31, 2021, the District reported a liability of \$301,395 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$	301,395
State's proportionate share that is associated with District		<u>600,494</u>
 Total	 \$	 <u><u>901,889</u></u>

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

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.000563%, which was a decrease of 0.000046% from its proportion measured as of August 31, 2019.

9. Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2021, the District recognized pension expense of \$120,167 and revenue of \$72,226, representing pension expense incurred by the State on behalf of the District.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 550	\$ 8,411
Changes in actuarial assumptions	69,934	29,736
Difference between projected and actual investment earnings	6,101	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	21,260	42,331
Contributions paid to TRS subsequent to the measurement date	<u>24,205</u>	<u>--</u>
 Total	 <u><u>\$ 122,050</u></u>	 <u><u>\$ 80,478</u></u>

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

Year ended August 31	Pension Expense Amount
2022	\$ 11,861
2023	\$ 9,552
2024	\$ 7,347
2025	\$ (3,388)
2026	\$ (6,979)
Thereafter	\$ (1,026)

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

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

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

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

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

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

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

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4. Contributions

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	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 *	1.25%	1.25%
Total		
* Contributions paid from federal funds and private grants are remitted by the employer and paid at the State rate.		

District's 2021 Employer Contributions	\$	7,017
District's 2021 Member Contributions	\$	5,379
2020 NECE On-Behalf Contributions (state)	\$	9,182

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether they participate in the TRS Care OPEB Program*). When hiring a TRS retiree, employers are required to pay TRS Care a monthly surcharge of \$535 per retiree.

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

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5. Actuarial Assumptions

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

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

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

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

The active mortality rates were based on 90% 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).

The initial medical trend rates were 9.0% for Medicare retirees and 7.3% for non-Medicare retirees. There was an initial prescription drug trend rate of 9.0% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.

Additional Actuarial Methods and Assumptions:

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

* 25% of pre-65 retirees are assumed to discontinue coverage at age 65.

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6. Discount Rate

A single discount rate of 2.33% was used to measure the total OPEB liability. This was a decrease of .30% in the discount rate since the previous year. Because the plan is essentially a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District's proportionate share of net OPEB liability	\$ 410,098	\$ 341,749	\$ 287,763

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

At August 31, 2021, the District reported a liability of \$341,749 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 341,749
State's proportionate share that is associated with the District	<u>459,229</u>
Total	<u>\$ 800,978</u>

The Net OPEB liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2019 through August 31, 2020.

At August 31, 2020 the District's proportion of the collective net OPEB liability was 0.000899%, which was a decrease of 0.000031% from its proportion measured as of August 31, 2019.

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 health trend rates assumed.

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
District's proportionate share of net OPEB liability	\$ 279,165	\$ 341,749	\$ 425,102

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9. Changes Since the Prior Actuarial Valuation

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

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

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

The amount of OPEB expense recognized by the District in the reporting period was (\$15,316) which includes revenue of (\$3,189) representing OPEB expense incurred by the State on behalf of the District.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 17,894	\$ 156,402
Changes in actuarial assumptions	21,079	93,846
Differences between projected and actual investment earnings	111	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	2,890	57,216
Contributions paid to TRS subsequent to the measurement date	<u>7,017</u>	
Total	<u>\$ 48,991</u>	<u>\$ 307,464</u>

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

Year ended August 31	OPEB Expense Amount
2022	\$ (42,517)
2023	\$ (42,532)
2024	\$ (42,540)
2025	\$ (42,538)
2026	\$ (33,410)
Thereafter	\$ (61,953)

PALO PINTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2021, the subsidy payment received by TRS-Care on behalf of the District was \$4,015.

J. Employee Health Care Coverage

During the year ended August 31, 2021, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$397 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable annually, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Company are available for their year end and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

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

PALO PINTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

L. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for special education with the following school districts:

Member Districts

Gordon ISD
Graford ISD
Mineral Wells ISD
Palo Pinto ISD
Santo ISD
Strawn ISD

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Mineral Wells ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

M. Subsequent Events

The District evaluated subsequent events through January 4, 2022, the date the financial statements were available to be issued, and no subsequent events were noted.

Required Supplementary Information

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

PALO PINTO INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original	Final					
REVENUES:							
5700	Local and Intermediate Sources	\$ 5,338,375	\$ 5,450,375	\$ 5,489,553	\$ 39,178		
5800	State Program Revenues	103,829	103,829	107,485	3,656		
5020	Total Revenues	<u>5,442,204</u>	<u>5,554,204</u>	<u>5,597,038</u>	<u>42,834</u>		
EXPENDITURES:							
Current:							
Instruction & Instructional Related Services:							
0011	Instruction	735,230	735,230	654,264	80,966		
0012	Instructional Resources and Media Services	2,000	2,000	1,360	640		
0013	Curriculum and Staff Development	10,100	10,100	1,028	9,072		
	Total Instruction & Instr. Related Services	<u>747,330</u>	<u>747,330</u>	<u>656,652</u>	<u>90,678</u>		
Instructional and School Leadership:							
0023	School Leadership	84,455	84,455	76,110	8,345		
	Total Instructional & School Leadership	<u>84,455</u>	<u>84,455</u>	<u>76,110</u>	<u>8,345</u>		
Support Services - Student (Pupil):							
0031	Guidance, Counseling and Evaluation Services	31,675	31,675	27,592	4,083		
0033	Health Services	8,320	8,320	4,822	3,498		
0034	Student (Pupil) Transportation	118,375	118,375	73,461	44,914		
0035	Food Services	4,000	4,000	2,958	1,042		
0036	Cocurricular/Extracurricular Activities	7,250	7,250	4,023	3,227		
	Total Support Services - Student (Pupil)	<u>169,620</u>	<u>169,620</u>	<u>112,856</u>	<u>56,764</u>		
Administrative Support Services:							
0041	General Administration	259,875	259,875	225,230	34,645		
	Total Administrative Support Services	<u>259,875</u>	<u>259,875</u>	<u>225,230</u>	<u>34,645</u>		
Support Services - Nonstudent Based:							
0051	Plant Maintenance and Operations	146,685	186,685	155,919	30,766		
0052	Security and Monitoring Services	7,000	7,000	5,876	1,124		
0053	Data Processing Services	44,500	44,500	43,521	979		
	Total Support Services - Nonstudent Based	<u>198,185</u>	<u>238,185</u>	<u>205,316</u>	<u>32,869</u>		
Intergovernmental Charges:							
0091	Contracted Instr. Services Between Public Schools	3,820,976	4,070,976	4,080,022	(9,046)		
0093	Payments to Fiscal Agent/Member Dist.-SSA	15,500	15,500	10,527	4,973		
0099	Other Intergovernmental Charges	124,500	124,500	122,753	1,747		
	Total Intergovernmental Charges	<u>3,960,976</u>	<u>4,210,976</u>	<u>4,213,302</u>	<u>(2,326)</u>		
6030	Total Expenditures	<u>5,420,441</u>	<u>5,710,441</u>	<u>5,489,466</u>	<u>220,975</u>		
1100	Excess (Deficiency) of Revenues Over (Under)						
1100	Expenditures	<u>21,763</u>	<u>(156,237)</u>	<u>107,572</u>	<u>263,809</u>		
Other Financing Sources (Uses):							
8911	Transfers Out	--	(28,880)	(12,890)	15,990		
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>(28,880)</u>	<u>(12,890)</u>	<u>15,990</u>		
1200	Net Change in Fund Balance	<u>21,763</u>	<u>(185,117)</u>	<u>94,682</u>	<u>279,799</u>		
0100	Fund Balance - Beginning	771,784	771,784	771,784	--		
3000	Fund Balance - Ending	<u>\$ 793,547</u>	<u>\$ 586,667</u>	<u>\$ 866,466</u>	<u>\$ 279,799</u>		

PALO PINTO INDEPENDENT SCHOOL DISTRICT

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

	Measurement Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the net pension liability (asset)	0.000563%	0.000609%	0.000648%	0.000727%	0.000673%	0.000693%	0.000362%	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 301,395	\$ 316,655	\$ 356,798	\$ 232,457	\$ 254,282	\$ 244,931	\$ 96,723	--	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the District	600,494	618,424	773,784	449,249	475,353	442,098	365,883	--	--	--
Total	\$ 901,889	\$ 935,079	\$ 1,130,582	\$ 681,706	\$ 729,635	\$ 687,029	\$ 462,606	\$ --	\$ --	\$ --
District's covered payroll	\$ 788,755	\$ 793,122	\$ 864,905	\$ 856,581	\$ 756,372	\$ 710,724	\$ 639,362	--	\$ --	\$ --
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	38.21%	39.93%	41.25%	27.14%	33.62%	34.46%	15.13%	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%	--	--	--

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

PALO PINTO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
*LAST TEN FISCAL YEARS **

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 24,205	\$ 23,219	\$ 21,314	\$ 21,837	\$ 23,817	\$ 21,423	\$ 20,518	\$ 9,076	--	\$ --
Contributions in relation to the contractually required contribution	(24,205)	(23,219)	(21,314)	(21,837)	(23,817)	(21,423)	(20,518)	(9,076)	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 782,544	\$ 788,755	\$ 793,122	\$ 864,905	\$ 856,581	\$ 756,372	\$ 710,724	\$ 639,362	--	\$ --
Contributions as a percentage of covered-employee payroll	3.09%	2.94%	2.69%	2.52%	2.78%	2.83%	2.89%	1.42%	--	--

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

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

	Measurement Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the collective net OPEB liability	0.000899%	0.000930%	0.001012%	0.001005%	--	--	--	--	--	--
District's proportionate share of the collective net OPEB liability	\$ 341,749	\$ 439,980	\$ 505,420	\$ 437,120	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State proportionate share of the collective net OPEB liability associated with the District	459,229	584,635	748,048	687,170	--	--	--	--	--	--
Total	<u>\$ 800,978</u>	<u>\$ 1,024,615</u>	<u>\$ 1,253,468</u>	<u>\$ 1,124,290</u>	<u>\$ --</u>					
District's covered payroll	\$ 788,755	\$ 793,122	\$ 864,905	\$ 856,581	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	43.33%	55.47%	58.44%	51.03%	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	4.99%	2.66%	1.57%	0.91%	--	--	--	--	--	--

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

PALO PINTO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
*LAST TEN FISCAL YEARS **

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily or contractually required District contribution	\$ 7,017	\$ 6,833	\$ 6,702	\$ 6,992	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(7,017)	(6,833)	(6,702)	(6,992)	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 782,544	\$ 788,755	\$ 793,122	\$ 864,905	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered payroll	0.90%	0.87%	0.85%	0.81%	--	--	--	--	--	--

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

PALO PINTO INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2021

Budget

The official budget was prepared for adoption for all Governmental Fund Types legally required to adopt a budget (General Funds, Food Service Funds, and Debt Service Funds). The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the board.

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

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

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

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

Defined Benefit Pension Plan and Defined Benefit OPEB Plan

Changes of benefit terms

Any changes of benefit terms that affected the measurement of the net pension liability during the measurement period are described in the notes to the financial statements (Note H).

Any changes of benefit terms that affected the measurement of the net OPEB liability during the measurement period are described in the notes to the financial statements (Note I).

Changes of assumptions

Changes of assumptions that affected the measurement of the net pension liability during the measurement period are described in the notes to the financial statements (Note H).

Changes of assumptions that affected the measurement of the net OPEB liability during the measurement period are described in the notes to the financial statements (Note I).

Other Supplementary Information

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

PALO PINTO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE YEAR ENDED AUGUST 31, 2021

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2012 and Prior Years	\$	Various	\$	Various	\$	Various
2013		1.0401		.0223		407,635,082
2014		1.0401		.0535		468,340,951
2015		1.0401		.0500		500,629,357
2016		1.0401		.0515		490,731,227
2017		1.0401		.0506		504,885,011
2018		1.0401		.0500		502,235,948
2019		1.0600		.0487		524,842,258
2020		0.9900		.0484		527,205,138
2021 (School Year Under Audit)		0.9667		.0484		557,853,992

1000 Totals

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

Column 20, the current year's levy is the ending levy provided by Palo Pinto County Tax Office.

Column 3, Assessed/Appraised Value for School Tax Purposes is calculated based on current year total levy divided by current year total tax rate. This amount includes adjustments for frozen values.

10 Beginning Balance 9/1/20	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/21
\$ 19,770	\$ --	\$ 349	\$ 7	\$ (101)	\$ 19,313
3,533	--	99	2	--	3,432
4,460	--	178	9	--	4,273
5,305	--	459	22	--	4,824
8,501	--	581	29	--	7,891
6,104	--	391	19	(365)	5,329
12,081	--	1,284	62	(365)	10,370
18,573	--	10,300	473	(470)	7,330
78,909	--	43,509	2,126	(3,566)	29,708
--	5,662,581	5,364,464	268,390	--	29,727
<u>\$ 157,236</u>	<u>\$ 5,662,581</u>	<u>\$ 5,421,614</u>	<u>\$ 271,139</u>	<u>\$ (4,867)</u>	<u>\$ 122,197</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

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

EXHIBIT J-2

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 1,000	\$ 3,579	\$ 2,579
5800 <i>State Program Revenues</i>	--	859	859
5900 <i>Federal Program Revenues</i>	49,000	56,149	7,149
5020 Total Revenues	<u>50,000</u>	<u>60,587</u>	<u>10,587</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	78,880	73,477	5,403
Total Support Services - Student (Pupil)	<u>78,880</u>	<u>73,477</u>	<u>5,403</u>
6030 Total Expenditures	<u>78,880</u>	<u>73,477</u>	<u>5,403</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(28,880)</u>	<u>(12,890)</u>	<u>15,990</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	28,880	12,890	(15,990)
7080 Total Other Financing Sources and (Uses)	<u>28,880</u>	<u>12,890</u>	<u>(15,990)</u>
0100 Fund Balance - Beginning	--	--	--
3000 Fund Balance - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

PALO PINTO INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 267,739	\$ 273,818	\$ 6,079
5800 <i>State Program Revenues</i>	1,000	1,205	205
5020 Total Revenues	<u>268,739</u>	<u>275,023</u>	<u>6,284</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	155,000	155,000	--
0072 <i>Interest on Long-Term Debt</i>	90,225	90,225	--
0073 <i>Bond Issuance Costs and Fees</i>	3,100	2,940	160
Total Debt Service	<u>248,325</u>	<u>248,165</u>	<u>160</u>
6030 Total Expenditures	<u>248,325</u>	<u>248,165</u>	<u>160</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>20,414</u>	<u>26,858</u>	<u>6,444</u>
1200 Net Change in Fund Balance	<u>20,414</u>	<u>26,858</u>	<u>6,444</u>
0100 Fund Balance - Beginning	136,742	136,742	--
3000 Fund Balance - Ending	<u>\$ 157,156</u>	<u>\$ 163,600</u>	<u>\$ 6,444</u>

PALO PINTO INDEPENDENT SCHOOL DISTRICT
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM
AS OF AUGUST 31, 2021

Data Control Codes		Responses
<u>Section A: Compensatory Education Programs</u>		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 89,397
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30, 34)	\$ 79,543
<u>Section B: Bilingual Education Programs</u>		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 661
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 1,620

PALO PINTO INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)
GENERAL FUND
AS OF AUGUST 31, 2021

EXHIBIT J-5

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2021 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>866,466</u>
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	<u>--</u>
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	<u>--</u>
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	<u>238,975</u>
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	<u>10,064</u>
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	<u>457,456</u>
7	Estimate of two months' average cash disbursements during the fiscal year	<u>914,912</u>
8	Estimate of delayed payments from state sources (58XX)	<u>--</u>
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	<u>--</u>
10	Estimate of delayed payments from federal sources (59XX)	<u>--</u>
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	<u>--</u>
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	<u>1,621,407</u>
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ <u><u>(754,941)</u></u>



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

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
Palo Pinto Independent School District
P.O. Box 280
Palo Pinto, Texas 76484

Members of the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Palo Pinto Independent School District, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise Palo Pinto Independent School District's basic financial statements, and have issued our report thereon dated January 4, 2022.

Internal Control Over Financial Reporting

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

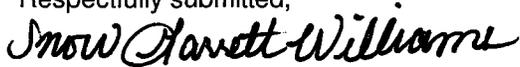
As part of obtaining reasonable assurance about whether Palo Pinto Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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*.

We noted certain matters that we reported to management of Palo Pinto Independent School District in a separate letter dated January 4, 2022.

Purpose of this Report

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

Respectfully submitted,



Snow Garrett Williams
January 4, 2022

PALO PINTO INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2021**

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

