

LIPAN INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2020

Lipan Independent School District
Annual Financial Report
For The Year Ended August 31, 2020

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Introductory Section

CERTIFICATE OF BOARD

Lipan Independent School District
Name of School District

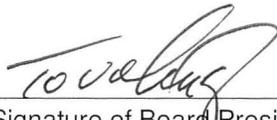
Hood
County

111-902
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, 2020, at a meeting of the board of trustees of such school district on the 19th day of November, 2020.



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
Lipan Independent School District
211 Kickapoo Street
Lipan, Texas 76462

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lipan Independent School District ("the District") as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Lipan Independent School District as of August 31, 2020, 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lipan Independent School District's basic financial statements. The introductory section and accompanying 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-2, 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-2 of the other supplementary information 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 October 28, 2020 on our consideration of Lipan 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lipan Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Snow Garrett Williams

October 28, 2020

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, 2020. 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 and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$3,681,881 (*net position*). The District has unrestricted net position in the amount of (\$2,056,211).
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,344,166. The District has an unassigned fund balance in the general fund of \$2,153,499.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,153,499, or 44% of the total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements 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 deferred outflows and liabilities and deferred inflows, 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 can be divided into two categories: governmental funds and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a 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*. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, state textbook fund, and debt service fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. 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 14-17 of this report.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position that can be found on page 18.
- **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 19-43 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 44-50 of this report.

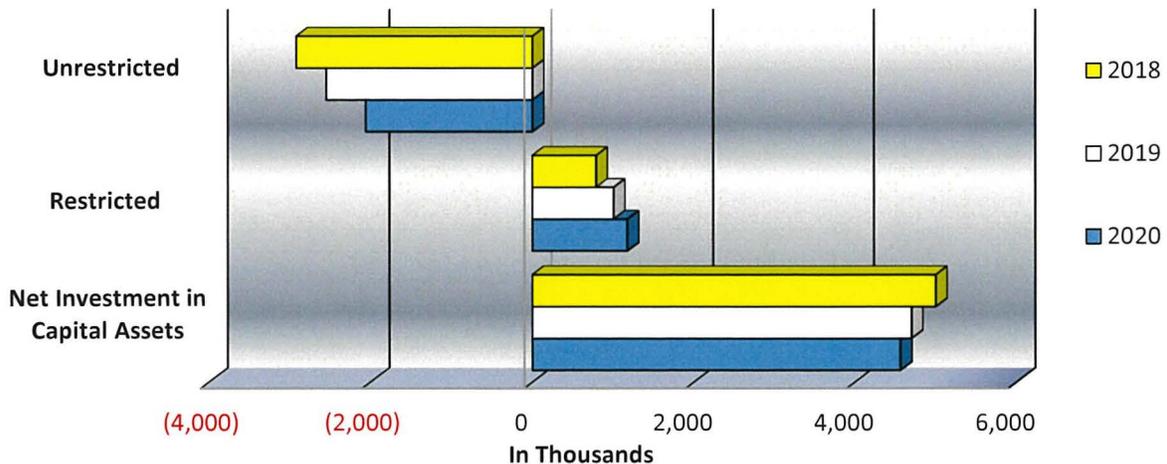
Government-wide Financial Analysis

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 and deferred outflows exceeded liabilities and deferred inflows by \$3,681,769 as of August 31, 2020.

The District's Net Position

| | <u>August 31, 2020</u> | <u>August 31, 2019</u> |
|---------------------------------------|------------------------|------------------------|
| Current and other assets | \$ 3,631,001 | \$ 2,905,704 |
| Capital assets | 11,984,314 | 12,267,472 |
| Long-term Investments | 850,000 | - |
| Total assets | <u>15,615,315</u> | <u>15,173,176</u> |
| Deferred outflows related to pensions | 591,582 | 534,631 |
| Deferred outflows related to OPEB | <u>732,982</u> | <u>141,975</u> |
| Total deferred outflows of resources | <u>1,324,564</u> | <u>676,606</u> |
| Other liabilities | 239,187 | 364,956 |
| Long-term liabilities outstanding | <u>11,765,739</u> | <u>11,470,634</u> |
| Total liabilities | <u>12,004,926</u> | <u>11,835,590</u> |
| Deferred inflows related to pensions | 308,662 | 231,976 |
| Deferred inflows related to OPEB | <u>944,522</u> | <u>626,181</u> |
| Total deferred inflows of resources | <u>1,253,184</u> | <u>858,157</u> |
| Net position: | | |
| Net investment in capital assets | 4,561,670 | 4,696,184 |
| Restricted | 1,176,310 | 1,005,525 |
| Unrestricted | <u>(2,056,211)</u> | <u>(2,545,674)</u> |
| Total net position | <u>\$ 3,681,769</u> | <u>\$ 3,156,035</u> |

Net Position as of August 31, 2020



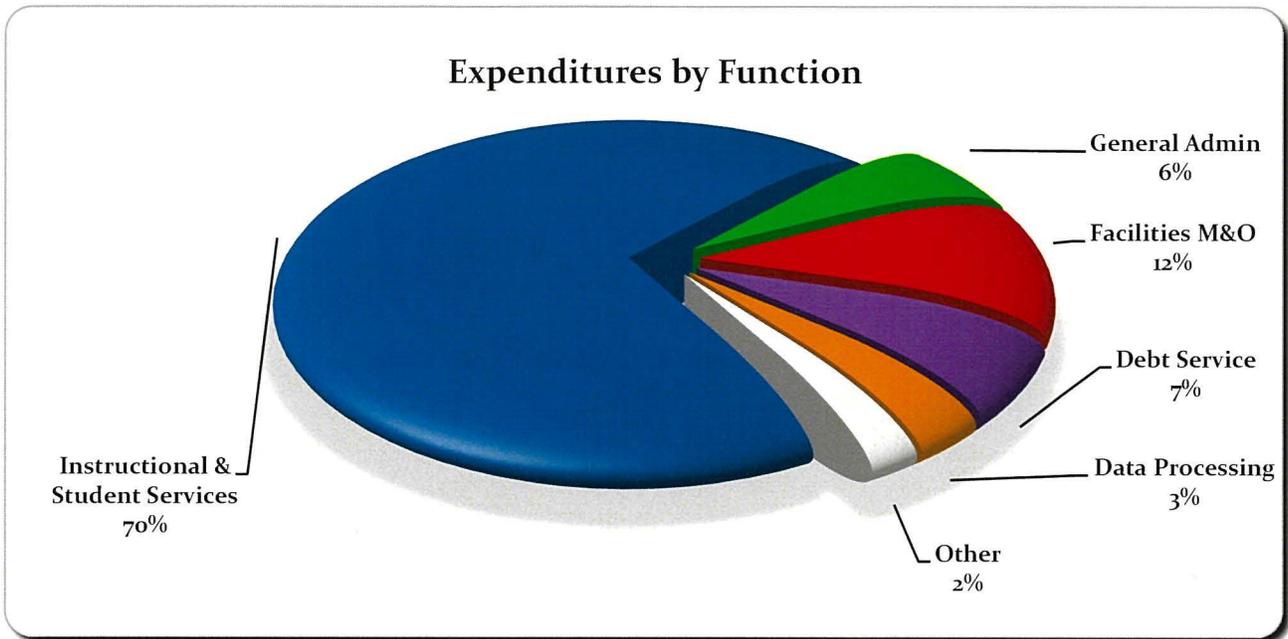
Investment in capital assets (e.g., land, buildings, and furniture and equipment) is \$4,561,670. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending.

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, \$1,176,310, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, (\$2,056,211), may be used to meet the District's ongoing obligations. This deficit is not an indication that the District does not have resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are more than currently available resources.

Governmental activities. The District's total net position increased \$525,734. The total cost of all *governmental activities* this year was \$6,209,472. The amount that our taxpayers paid for these activities through property taxes was \$2,409,497 or 40%.

Changes in the District's Net Position

| | <u>August 31, 2020</u> | <u>August 31, 2019</u> |
|---|------------------------|------------------------|
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 21,373 | \$ 26,550 |
| Operating grants & contributions | 905,065 | 847,585 |
| General revenues: | | |
| Property taxes | 2,490,497 | 2,587,711 |
| State grants | 3,264,190 | 2,243,991 |
| Other | 54,081 | 91,008 |
| Total revenues | <u>6,735,206</u> | <u>5,796,845</u> |
| Expenses: | | |
| Instruction | 3,350,030 | 2,923,409 |
| Instructional resources & media services | 30,837 | 5,158 |
| Curriculum & staff development | 11,592 | 8,461 |
| Instructional leadership | 6,677 | 75,926 |
| School leadership | 375,916 | 346,631 |
| Guidance, counseling & evaluation services | 93,493 | 77,544 |
| Health services | 79,743 | 28,872 |
| Student transportation | 86,258 | 103,716 |
| Food services | 165,654 | 151,144 |
| Cocurricular/extracurricular activities | 167,234 | 183,574 |
| General administration | 360,593 | 366,765 |
| Facilities maintenance & operations | 713,815 | 521,190 |
| Security and monitoring services | 17,066 | 13,857 |
| Data processing services | 211,587 | 156,811 |
| Debt service-interest on long-term debt | 409,736 | 413,686 |
| Payments related to shared service arrangements | 71,308 | 62,734 |
| Other intergovernmental charges | 57,933 | 68,047 |
| Total expenses | <u>6,209,472</u> | <u>5,507,525</u> |
| Increase in net position | 525,734 | 289,320 |
| Beginning net position | 3,156,035 | 2,866,715 |
| Ending net position | <u>\$ 3,681,769</u> | <u>\$ 3,156,035</u> |



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 \$3,344,166, an increase of \$830,268. *Unassigned fund balance* is \$2,153,499. The remainder of fund balance is *restricted* or *committed* or *assigned* to indicate that it is not available for new spending because it has already been assigned to prepaid items (\$30,847); and restricted to pay (1) debt service (\$295,995), (2) for capital acquisitions (\$112), (3) for federal and state grants (\$9,944), and (4) for the bond sinking fund (\$850,000); and committed for other uses (\$3,769).

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 \$2,153,499. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 44% of the total general fund expenditures. The fund balance of the District's general fund increased \$664,331 during the current fiscal year.

The fund balance of the District's debt service fund increased \$194,158 during the current fiscal year for a total ending fund balance of \$1,145,995.



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 were due to allow for unexpected occurrences and to better reflect the activities of the District. The revised budgeted revenue was primarily due to:

HB3 caused additional revenue for the district not included in the original budget.

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

- Actual revenues were lower than budgeted by \$5,638, primarily related to a decrease in state program revenues; and,
- Actual expenditures were lower than budgeted by \$625,107, primarily from decreases in expense areas such as instruction, student (pupil) transportation, plant maintenance and operations, data processing services, and capital outlay.

Capital Asset and Debt Administration

Capital assets. The District’s investment in capital assets for its governmental activities as of August 31, 2020, amounts to \$11,984,314 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

Major capital asset events during the year included improvements to the communication/public announcement system and canopy and concrete work at the track. Equipment purchases included a new ID card and access control system, new playground equipment, as well as a new capital lease for Google Chromebooks.

Districts Capital Assets (net of depreciation)

| | <u>August 31, 2020</u> | <u>August 31, 2019</u> |
|----------------------------|------------------------|------------------------|
| Land | \$ 92,314 | \$ 92,314 |
| Buildings and improvements | 11,300,421 | 11,763,068 |
| Furniture and equipment | 591,579 | 412,090 |
| Total at historical cost | <u>\$ 11,984,314</u> | <u>\$ 12,267,472</u> |

Additional information on the District’s capital assets can be found in Note C on pages 27-28 of this report.

Long-term debt. As of August 31, 2020, the District had total general obligation bonded debt outstanding of \$7,214,252, a decrease of \$147,201 from the prior year. The District also had notes payable outstanding of \$86,043, a decrease of \$31,314 from prior year. The District had accumulated accretion on CAB’s outstanding of \$1,413,642, an increase of \$25,099 from the previous year. Premium on bonds decreased \$6,840 from the prior year resulting in an ending balance of \$85,748. The net pension liability for fiscal year 2020 had an ending balance of \$1,011,245, which was an increase of \$84,097 from the prior year. Finally, the net OPEB liability for fiscal year 2020 had an ending balance of \$1,949,357, which was an increase of \$334,517 over the prior year.

The District’s bonds are rated Superior by virtue of the guarantee of the Permanent School Fund of the State of Texas. The uninsured tax supported debt of the District is rated Baa1 by Moody’s. The district also has one other issue outstanding which is rated Baa1 by Moody’s 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 percent of its total assessed valuation. The current debt limitation for the District is \$18,735,834.

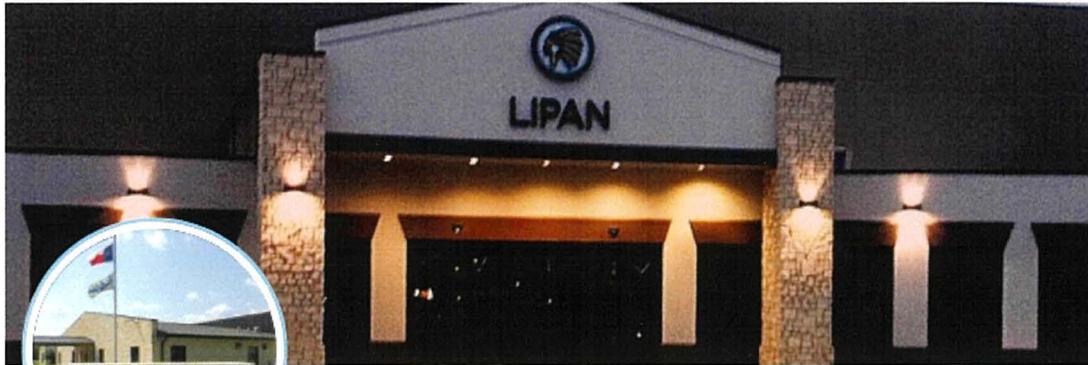
Additional information on the District's long-term debt can be found in Note E on pages 29-31 of this report.

Economic Factors and Next Year's Budgets and Rates

- The District's student attendance rate has remained stable at 96%; enrollment has decreased from around 437 to near 413.
- The District's tax rate is currently at \$.963 per \$100 in assessed property value, the maximum tax rate allowable by state law for maintenance and operations. The District has appropriated revenues of \$5,134,846.00 none of which is from restricted cash forward, and budgeted expenditures of \$5,134,846.00 in the 2020-2021 budget.
- The District does not anticipate any major effects from COVID 19.

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 Lipan ISD Business Office, 211 N. Kickapoo St., Lipan, TX 76462.



[Follow](#)

Lipan High School

@lipan_tx

Basic Financial Statements

LIPAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2020

| Data Control Codes | 1 | Governmental Activities |
|--|---|----------------------------|
| ASSETS: | | |
| 1110 | <i>Cash and Cash Equivalents</i> | \$ 636,695 |
| 1120 | <i>Current Investments</i> | 1,827,128 |
| 1225 | <i>Property Taxes Receivable (Net)</i> | 95,681 |
| 1240 | <i>Due from Other Governments</i> | 97,246 |
| 1267 | <i>Due from Fiduciary</i> | 7,183 |
| 1290 | <i>Other Receivables (Net)</i> | 86,221 |
| 1410 | <i>Unrealized Expenses</i> | 30,847 |
| Capital Assets: | | |
| 1510 | <i>Land</i> | 92,314 |
| 1520 | <i>Buildings and Improvements, Net</i> | 11,300,421 |
| 1530 | <i>Furniture and Equipment, Net</i> | 591,579 |
| 1910 | <i>Long-Term Investments - Sinking Fund</i> | 850,000 |
| 1000 | Total Assets | <u>15,615,315</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | |
| | <i>Deferred Outflow Related to Pensions</i> | 591,582 |
| | <i>Deferred Outflow Related to OPEB</i> | 732,982 |
| 1700 | Total Deferred Outflows of Resources | <u>1,324,564</u> |
| LIABILITIES: | | |
| 2110 | <i>Accounts Payable</i> | 18,143 |
| 2120 | <i>Short-Term Debt Payable</i> | 31,373 |
| 2140 | <i>Interest Payable</i> | 16,660 |
| 2165 | <i>Accrued Liabilities</i> | 172,649 |
| 2300 | <i>Unearned Revenue</i> | 362 |
| Noncurrent Liabilities: | | |
| 2501 | <i>Due Within One Year</i> | 162,095 |
| 2502 | <i>Due in More Than One Year</i> | 8,643,042 |
| 2540 | <i>Net Pension Liability</i> | 1,011,245 |
| 2545 | <i>Net OPEB Liability</i> | 1,949,357 |
| 2000 | Total Liabilities | <u>12,004,926</u> |
| DEFERRED INFLOWS OF RESOURCES: | | |
| | <i>Deferred Inflow Related to Pensions</i> | 308,662 |
| | <i>Deferred Inflow Related to OPEB</i> | 944,522 |
| 2600 | Total Deferred Inflows of Resources | <u>1,253,184</u> |
| NET POSITION: | | |
| 3200 | Net Investment in Capital Assets | 4,561,558 |
| Restricted For: | | |
| 3820 | State Programs | 9,944 |
| 3850 | Debt Service | 316,478 |
| 3890 | Other Purposes - Sinking Fund | 850,000 |
| 3900 | Unrestricted | (2,056,211) |
| 3000 | Total Net Position | <u>\$ 3,681,769</u> |

The accompanying notes are an integral part of this statement.

LIPAN INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2020

| Data Control Codes | Functions/Programs | 1 Expenses | Program Revenues | | 4 Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
|--------------------------|--|---------------------|----------------------------------|----------------------------|---|--|
| | | | 3 Charges for Services | Governmental Activities | | |
| | Governmental Activities: | | | | | |
| 11 | Instruction | \$ 3,350,030 | \$ -- | \$ 310,003 | \$ (3,040,027) | |
| 12 | Instructional Resources and Media Services | 30,837 | -- | 1,437 | (29,400) | |
| 13 | Curriculum and Staff Development | 11,592 | -- | 7,649 | (3,943) | |
| 21 | Instructional Leadership | 6,677 | -- | 7,261 | 584 | |
| 23 | School Leadership | 375,916 | -- | 46,452 | (329,464) | |
| 31 | Guidance, Counseling, & Evaluation Services | 93,493 | -- | 10,251 | (83,242) | |
| 33 | Health Services | 79,743 | -- | 5,339 | (74,404) | |
| 34 | Student Transportation | 86,258 | -- | 7,991 | (78,267) | |
| 35 | Food Service | 165,654 | 8,979 | 101,808 | (54,867) | |
| 36 | Cocurricular/Extracurricular Activities | 167,234 | 11,906 | 15,786 | (139,542) | |
| 41 | General Administration | 360,593 | -- | 39,153 | (321,440) | |
| 51 | Facilities Maintenance and Operations | 713,815 | 488 | 91,122 | (622,205) | |
| 52 | Security and Monitoring Services | 17,066 | -- | 10,288 | (6,778) | |
| 53 | Data Processing Services | 211,587 | -- | 59,145 | (152,442) | |
| 72 | Interest on Long-term Debt | 409,736 | -- | 185,398 | (224,338) | |
| 81 | Capital Outlay | -- | -- | 2,314 | 2,314 | |
| 93 | Payments Related to Shared Services Arrangements | 71,308 | -- | 3,668 | (67,640) | |
| 99 | Other Intergovernmental Charges | 57,933 | -- | -- | (57,933) | |
| TG | Total Governmental Activities | <u>6,209,472</u> | <u>21,373</u> | <u>905,065</u> | <u>(5,283,034)</u> | |
| TP | Total Primary Government | <u>\$ 6,209,472</u> | <u>\$ 21,373</u> | <u>\$ 905,065</u> | <u>(5,283,034)</u> | |
| | General Revenues: | | | | | |
| MT | Property Taxes, Levied for General Purposes | | | | 1,945,458 | |
| DT | Property Taxes, Levied for Debt Service | | | | 545,039 | |
| IE | Investment Earnings | | | | 25,015 | |
| GC | Grants and Contributions Not Restricted to Specific Programs | | | | 3,264,190 | |
| MI | Miscellaneous | | | | 29,066 | |
| TR | Total General Revenues | | | | <u>5,808,768</u> | |
| CN | Change in Net Position | | | | 525,734 | |
| NB | Net Position - Beginning | | | | 3,156,035 | |
| NE | Net Position - Ending | | | | <u>\$ 3,681,769</u> | |

The accompanying notes are an integral part of this statement.

LIPAN INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2020

| Data Control Codes | 10 General Fund | 50 Debt Service Fund | Other Governmental Funds | 98 Total Governmental Funds | |
|---------------------------------------|---|-------------------------------|--------------------------------|--------------------------------------|---------------------|
| ASSETS: | | | | | |
| 1110 | Cash and Cash Equivalents | \$ 628,483 | \$ 1 | \$ 8,211 | \$ 636,695 |
| 1120 | Current Investments | 1,610,395 | 205,800 | 10,933 | 1,827,128 |
| 1225 | Taxes Receivable | 133,406 | 34,636 | -- | 168,042 |
| 1230 | Allowance for Uncollectible Taxes (Credit) | (58,208) | (14,153) | -- | (72,361) |
| 1240 | Due from Other Governments | 90,805 | 4,335 | 2,106 | 97,246 |
| 1260 | Due from Other Funds | 7,183 | -- | -- | 7,183 |
| 1290 | Other Receivables | -- | 86,221 | -- | 86,221 |
| 1410 | Unrealized Expenditures | 30,847 | -- | -- | 30,847 |
| 1910 | Long Term Investments - Sinking Fund | -- | 850,000 | -- | 850,000 |
| 1000 | Total Assets | <u>\$ 2,442,911</u> | <u>\$ 1,166,840</u> | <u>\$ 21,250</u> | <u>\$ 3,631,001</u> |
| LIABILITIES: | | | | | |
| Current Liabilities: | | | | | |
| 2110 | Accounts Payable | \$ 14,883 | \$ -- | \$ 3,260 | \$ 18,143 |
| 2150 | Payroll Deductions & Withholdings | 561 | -- | -- | 561 |
| 2160 | Accrued Wages Payable | 164,486 | -- | 3,972 | 168,458 |
| 2200 | Accrued Expenditures | 3,437 | -- | 193 | 3,630 |
| 2300 | Unearned Revenue | -- | 362 | -- | 362 |
| 2000 | Total Liabilities | <u>183,367</u> | <u>362</u> | <u>7,425</u> | <u>191,154</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | | |
| | Property Taxes | 75,198 | 20,483 | -- | 95,681 |
| 2600 | Total Deferred Inflows of Resources | <u>75,198</u> | <u>20,483</u> | <u>--</u> | <u>95,681</u> |
| FUND BALANCES: | | | | | |
| Nonspendable Fund Balances: | | | | | |
| 3430 | Prepaid Items | 30,847 | -- | -- | 30,847 |
| Restricted Fund Balances: | | | | | |
| 3450 | Federal/State Funds Grant Restrictions | -- | -- | 9,944 | 9,944 |
| 3470 | Capital Acquisitions & Contractual Obligations | -- | -- | 112 | 112 |
| 3480 | Retirement of Long-Term Debt | -- | 295,995 | -- | 295,995 |
| 3490 | Other Restrictions of Fund Balance - Sinking Fund | -- | 850,000 | -- | 850,000 |
| Committed Fund Balances: | | | | | |
| 3545 | Other Committed Fund Balance - Campus Activity Fund | -- | -- | 3,769 | 3,769 |
| 3600 | Unassigned | 2,153,499 | -- | -- | 2,153,499 |
| 3000 | Total Fund Balances | <u>2,184,346</u> | <u>1,145,995</u> | <u>13,825</u> | <u>3,344,166</u> |
| 4000 | Total Liabilities, Deferred Inflow of Resources and Fund Balances | <u>\$ 2,442,911</u> | <u>\$ 1,166,840</u> | <u>\$ 21,250</u> | <u>\$ 3,631,001</u> |

The accompanying notes are an integral part of this statement.

LIPAN INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 AUGUST 31, 2020

| | |
|--|---------------------|
| Total fund balances - governmental funds balance sheet | \$ 3,344,166 |
| 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. | 95,681 |
| Capital assets used in governmental activities are not reported in the funds. | 11,984,314 |
| Deferred Resource Outflows related to the pension plan are not reported in the funds. | 591,582 |
| Deferred Resource Outflows related to the OPEB plan are not reported in the funds. | 732,982 |
| Recognition of the District's proportionate share of the net pension liability is not reported in the funds. | (1,011,245) |
| Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds. | (1,949,357) |
| Deferred Resource Inflows related to the pension plan are not reported in the funds. | (308,662) |
| Deferred Resource Inflows related to the OPEB plan are not reported in the funds. | (944,522) |
| Payables for bond principal which are not due in the current period are not reported in the funds. | (7,214,252) |
| Payables for notes which are not due in the current period are not reported in the funds. | (86,043) |
| Payables for capital leases which are not due in the current period are not reported in the funds. | (36,825) |
| Payables for bond interest which are not due in the current period are not reported in the funds. | (16,660) |
| The accumulated accretion of interest on capital appreciation bonds is not reported in the funds. | (1,413,642) |
| Premiums on bonds which are not due and payable in the current period are not reported in the funds. | <u>(85,748)</u> |
| Net position of governmental activities - Statement of Net Position | <u>\$ 3,681,769</u> |

The accompanying notes are an integral part of this statement.

LIPAN INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

| Data Control Codes | 10 General Fund | 50 Debt Service Fund | Other Governmental Funds | 98 Total Governmental Funds |
|---|---------------------|-------------------------|-----------------------------|-----------------------------------|
| REVENUES: | | | | |
| 5700 Local and Intermediate Sources | \$ 1,988,717 | \$ 546,675 | \$ 9,468 | \$ 2,544,860 |
| 5800 State Program Revenues | 3,493,293 | 12,680 | 89,801 | 3,595,774 |
| 5900 Federal Program Revenues | 17,097 | 172,718 | 214,401 | 404,216 |
| 5020 Total Revenues | <u>5,499,107</u> | <u>732,073</u> | <u>313,670</u> | <u>6,544,850</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 2,673,783 | -- | 115,042 | 2,788,825 |
| 0012 Instructional Resources and Media Services | 27,083 | -- | -- | 27,083 |
| 0013 Curriculum and Staff Development | 2,690 | -- | 7,500 | 10,190 |
| 0023 School Leadership | 305,663 | -- | -- | 305,663 |
| 0031 Guidance, Counseling, & Evaluation Services | 77,129 | -- | -- | 77,129 |
| 0033 Health Services | 68,650 | -- | -- | 68,650 |
| 0034 Student Transportation | 72,392 | -- | -- | 72,392 |
| 0035 Food Service | -- | -- | 138,726 | 138,726 |
| 0036 Cocurricular/Extracurricular Activities | 140,095 | -- | -- | 140,095 |
| 0041 General Administration | 297,927 | -- | -- | 297,927 |
| 0051 Facilities Maintenance and Operations | 849,152 | -- | 32,554 | 881,706 |
| 0052 Security and Monitoring Services | 4,960 | -- | 10,042 | 15,002 |
| 0053 Data Processing Services | 135,089 | -- | 49,266 | 184,355 |
| 0071 Principal on Long-term Debt | 50,591 | 147,201 | -- | 197,792 |
| 0072 Interest on Long-term Debt | 548 | 390,714 | -- | 391,262 |
| 0081 Capital Outlay | 44,646 | -- | -- | 44,646 |
| 0093 Payments to Shared Service Arrangements | 71,308 | -- | -- | 71,308 |
| 0099 Other Intergovernmental Charges | 57,933 | -- | -- | 57,933 |
| 6030 Total Expenditures | <u>4,879,639</u> | <u>537,915</u> | <u>353,130</u> | <u>5,770,684</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | | | | |
| 1100 Expenditures | <u>619,468</u> | <u>194,158</u> | <u>(39,460)</u> | <u>774,166</u> |
| Other Financing Sources and (Uses): | | | | |
| 7913 Issuance of Capital Leases | 56,102 | -- | -- | 56,102 |
| 7915 Transfers In | -- | -- | 11,239 | 11,239 |
| 8911 Transfers Out | (11,239) | -- | -- | (11,239) |
| 7080 Total Other Financing Sources and (Uses) | <u>44,863</u> | <u>--</u> | <u>11,239</u> | <u>56,102</u> |
| 1200 Net Change in Fund Balances | <u>664,331</u> | <u>194,158</u> | <u>(28,221)</u> | <u>830,268</u> |
| 0100 Fund Balances - Beginning | 1,520,015 | 951,837 | 42,046 | 2,513,898 |
| 3000 Fund Balances - Ending | <u>\$ 2,184,346</u> | <u>\$ 1,145,995</u> | <u>\$ 13,825</u> | <u>\$ 3,344,166</u> |

The accompanying notes are an integral part of this statement.

LIPAN 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, 2020

| | |
|--|-------------------|
| Net change in fund balances - total governmental funds | \$ 830,268 |
| 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. | 21,091 |
| Capital outlays are not reported as expenses in the SOA. | 404,710 |
| The depreciation of capital assets used in governmental activities is not reported in the funds. | (687,868) |
| 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 net position. | 93,883 |
| Pension contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction to NPL. | (67,369) |
| The proportionate share of the TRS pension expense on the plan as a whole had to be recorded. | |
| The net pension expense decreased net position. | (130,346) |
| 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. | 37,484 |
| 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. | (29,047) |
| The proportionate share of the TRS-Care expense on the plan as a whole had to be recorded. | |
| The net OPEB expense decreased net position. | (70,288) |
| Proceeds of capital leases do not provide revenue in the SOA, but are reported as other financing sources in the funds. | (56,102) |
| Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA. | 147,201 |
| Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA. | 19,277 |
| Repayment of note principal is an expenditure in the funds but is not an expense in the SOA. | 31,314 |
| (Increase) decrease in accrued interest from beginning of period to end of period. | (215) |
| The accretion of interest on capital appreciation bonds is not reported in the funds. | (25,099) |
| Premiums on bonds are amortized in the SOA but not in the funds. | 6,840 |
| | <u>6,840</u> |
| Change in net position of governmental activities - Statement of Activities | \$ <u>525,734</u> |

The accompanying notes are an integral part of this statement.

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

| <u>Data Control Codes</u> | <u>Agency Fund</u> | <u>Student Activity</u> |
|---------------------------------------|------------------------|-----------------------------|
| ASSETS: | | |
| 1110 <i>Cash and Cash Equivalents</i> | \$ 96,373 | |
| 1000 Total Assets | <u>\$ 96,373</u> | |
| LIABILITIES: | | |
| Current Liabilities: | | |
| 2170 <i>Due to Other Funds</i> | \$ 7,183 | |
| 2190 <i>Due to Student Groups</i> | <u>89,190</u> | |
| 2000 Total Liabilities | <u>96,373</u> | |
| NET POSITION: | | |
| 3000 Total Net Position | <u>\$ --</u> | |

The accompanying notes are an integral part of this statement.

LIPAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity 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, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

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 all financial resources restricted, committed, or assigned to expenditure for principal and interest.

LIPAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

In addition, the District reports the following fund types:

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. **Measurement Focus, Basis of Accounting**

Government-wide and Fiduciary Fund 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.

LIPAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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.

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 & Improvements | 5-30 |
| Equipment | 3-15 |

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.

LIPAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

g. Use of Estimates

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

h. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to 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 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 amounts to be expended for specific purposes.

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.

The District shall maintain a minimum unassigned fund balance in its General Fund ranging from 15 to 20 percent of the subsequent year's budgeted expenditures and outgoing transfers. This minimum fund balance shall be protected against cash shortfalls related to the timing of projected revenue receipts and to maintain a budget stabilization commitment. The District is currently within the policy limits.

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.

LIPAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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.

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, 2020, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$733,068 and the bank balance was \$753,697. The District's cash deposits at August 31, 2020 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

LIPAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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's investments at August 31, 2020 are shown below.

| <u>Investment or Investment Type</u> | <u>Maturity</u> | <u>Fair Value</u> |
|--|----------------------------|---------------------|
| Logic - LGIP | Wtd Avg Maturity = 51 Days | \$ 205,800 |
| Lone Star Liquidity Plus - Govt Overnight Fund | Wtd Avg Maturity = 27 Days | 1,621,328 |
| Total Investments | | <u>\$ 1,827,128</u> |

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.

At August 31, 2020, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

| | |
|--|------------------|
| Logic - LGIP | AAA |
| Lone Star Liquidity Plus - Govt Overnight Fund | AAA _m |

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.

LIPAN INDEPENDENT SCHOOL DISTRICT
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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.

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. The district reports investments in local government pools following GASB 79 at amortized cost.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is a 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940.

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LOGIC

The Local Government Investment Cooperative ("LOGIC") is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "PFIA"). These two acts provide for the creation of public funds investment pools (including LOGIC) and authorize eligible governmental entities ("Participants") to invest their public funds and funds under their control through the investment pools.

LOGIC reports its financial statements in accordance with Financial Accounting Standards Boards (FASB), follows ASC 820 "Fair Value Measurement and Disclosure Requirements" in reporting its investments and should be classified on government entities financials at Level 2. For pricing and redeeming shares, LOGIC maintains a stable net asset value (NAV) of \$1 per share using the fair value method.

Under the fair value method, fixed income securities are valued each day by independent or affiliated commercial pricing services or third party broker-dealers. The pricing services or broker-dealers use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services or broker-dealers may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the broker-dealers or pricing services also utilize proprietary valuation models which may consider market transactions in comparable securities and the various relationships between securities in determining value and/or market characteristics such as benchmark yield curves, option adjusted spreads, credit spreads, estimated default rates, coupon-rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair values.

Fair Value Measurements

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

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

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

In accordance with GASB Statement No. 79, Certain External Investment Pools and Pool Participants, the Local Government Investment Pools do not have any limitations and restrictions on withdrawals such as notice period of maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

| Investments | Fair Value | Fair Value Measurement Using | | |
|-------------------|------------|------------------------------|----------------|----------------|
| | | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs |
| LOGIC - LGIP | \$ 205,800 | \$ -- | \$ 205,800 | \$ -- |
| Total Investments | \$ 205,800 | \$ -- | \$ 205,800 | \$ -- |

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Lone Star

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. Government Overnight and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents. The Government Overnight and Corporate Overnight Funds value all investments at amortized cost and are operated in accordance with GASB 79. The Corporate Overnight Plus Fund values all investments at fair value and is operated in accordance with GASB 72. Lone Star has no limitations or restrictions on withdrawals.

C. Capital Assets

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

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|---------------------|--------------|----------------------|
| <u>Governmental activities:</u> | | | | |
| <i>Capital assets not being depreciated:</i> | | | | |
| Land | \$ 92,314 | \$ -- | \$ -- | \$ 92,314 |
| Total capital assets not being depreciated | <u>92,314</u> | <u>--</u> | <u>--</u> | <u>92,314</u> |
| <i>Capital assets being depreciated:</i> | | | | |
| Buildings and improvements | 16,289,020 | 119,647 | -- | 16,408,667 |
| Equipment | 974,706 | 285,063 | -- | 1,259,769 |
| Total capital assets being depreciated | <u>17,263,726</u> | <u>404,710</u> | <u>--</u> | <u>17,668,436</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (4,525,952) | (582,294) | -- | (5,108,246) |
| Equipment | (562,616) | (105,574) | -- | (668,190) |
| Total accumulated depreciation | <u>(5,088,568)</u> | <u>(687,868)</u> | <u>--</u> | <u>(5,776,436)</u> |
| Total capital assets being depreciated, net | <u>12,175,158</u> | <u>(283,158)</u> | <u>--</u> | <u>11,892,000</u> |
| Governmental activities capital assets, net | <u>\$ 12,267,472</u> | <u>\$ (283,158)</u> | <u>\$ --</u> | <u>\$ 11,984,314</u> |

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Depreciation was charged to functions as follows:

| | |
|---|-------------------|
| Instruction | \$ 384,784 |
| Instructional Resources and Media Services | 3,726 |
| Curriculum and Staff Development | 1,402 |
| School Leadership | 42,050 |
| Guidance, Counseling, & Evaluation Services | 10,611 |
| Health Services | 9,444 |
| Student Transportation | 9,959 |
| Food Services | 18,949 |
| Extracurricular Activities | 19,273 |
| General Administration | 40,821 |
| Plant Maintenance and Operations | 120,223 |
| Security and Monitoring Services | 2,064 |
| Data Processing Services | 24,562 |
| | <u>\$ 687,868</u> |

D. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2020, consisted of the following:

| <u>Due To Fund</u> | <u>Due From Fund</u> | <u>Amount</u> | <u>Purpose</u> |
|--------------------|----------------------|-----------------|------------------|
| General Fund | Agency Fund | \$ 7,183 | Short Term Loans |
| | Total | <u>\$ 7,183</u> | |

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2020, consisted of the following:

| <u>Transfers From</u> | <u>Transfers To</u> | <u>Amount</u> | <u>Reason</u> |
|-----------------------|----------------------|------------------|------------------------------|
| General Fund | Special Revenue Fund | \$ 11,239 | Supplement Food Service Fund |
| | Total | <u>\$ 11,239</u> | |

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NOTES TO THE FINANCIAL STATEMENTS
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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, 2020, are as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|---------------------------------|----------------------|-------------------|---------------------|----------------------|-----------------------------------|
| <u>Governmental activities:</u> | | | | | |
| General Obligation Bonds | \$ 7,361,453 | \$ -- | \$ (147,201) | \$ 7,214,252 | \$ 144,060 |
| Accumulated Accretion | 1,388,543 | 25,099 | -- | 1,413,642 | -- |
| Notes from Direct Borrowings | 117,357 | -- | (31,314) | 86,043 | 31,373 |
| Premium Amortized on Bonds | 92,588 | -- | (6,840) | 85,748 | -- |
| Capital Leases* | -- | 56,102 | (19,277) | 36,825 | 18,035 |
| Net Pension Liability* | 927,148 | 152,186 | (68,089) | 1,011,245 | -- |
| Net OPEB Liability* | 1,614,840 | 363,772 | (29,255) | 1,949,357 | -- |
| Total governmental activities | <u>\$ 11,501,929</u> | <u>\$ 597,159</u> | <u>\$ (301,976)</u> | <u>\$ 11,797,112</u> | <u>\$ 193,468</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 |
| Net OPEB Liability | Governmental | General |

LIPAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2020, are as follows:

| Year Ending August 31, | Governmental Activities | | | | | |
|------------------------|-------------------------|--------------|--|----------|---------------|--|
| | Bonds | | Notes from Direct Borrowings and Direct Placements | | Total | |
| | Principal | Interest | Principal | Interest | | |
| 2021 | \$ 144,060 | \$ 397,230 | \$ 31,373 | \$ 226 | \$ 572,889 | |
| 2022 | 140,756 | 397,934 | 31,451 | 148 | 570,289 | |
| 2023 | 141,141 | 399,949 | 22,219 | 292 | 563,601 | |
| 2024 | 138,860 | 399,431 | -- | -- | 538,291 | |
| 2025 | 140,016 | 400,274 | -- | -- | 540,290 | |
| 2026-2030 | 566,724 | 2,133,524 | -- | -- | 2,700,248 | |
| 2031-2035 | 497,460 | 2,211,990 | -- | -- | 2,709,450 | |
| 2036-2040 | 5,100,235 | 1,245,360 | -- | -- | 6,345,595 | |
| 2041-2045 | 345,000 | 15,525 | -- | -- | 360,525 | |
| Totals | \$ 7,214,252 | \$ 7,601,217 | \$ 85,043 | \$ 666 | \$ 14,901,178 | |

The interest rate on the Unlimited Tax School Building Bonds Series 1999 ranges from 5.95% to 6.20% and mature on August 15, 2028.

The interest rate on the Unlimited Tax School Building Bonds Series 2010 ranges from 2.20% to 4.00% and mature on August 15, 2028.

The interest rate on the Unlimited Tax School Building Bonds Series 2011 is 4.50% and matures on August 15, 2041.

The interest rate on the Unlimited Tax School Building Bonds Series 2015 is 4.596% and matures on August 15, 2038.

The interest rate on the Small School District Pilot HVAC Loan Program is 0.25% and matures on November 30, 2023.

The District has covenanted to make mandatory deposits into the Cumulative Sinking Fund Deposit Account held by the Paying Agent/Registrar for the Qualified School Construction Bonds, Series 2015. The Sinking Fund calls for annual payments of \$170,000 for 2016-2020 and \$175,000 for 2021-2038. The 2020 deposit was made by the District and is accounted for in Long-Term Investments and Other Restricted Fund Balance as required by the TEA Financial Accountability System of Resource Guide (FASRG).

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, 2020.

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2020, as follows:

| | |
|---|------------------|
| <u>Year Ending August 31:</u> | |
| 2021 | \$ 19,578 |
| 2022 | 19,577 |
| Total Minimum Rentals | \$ 39,155 |
| Less Interest | (2,330) |
| Present Value of Minimum Lease Payments | <u>\$ 36,825</u> |

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The following is an analysis of equipment leased as of August 31, 2020:

| | |
|-------------------------------|--------------|
| | |
| | Governmental |
| | Activities |
| Equipment | \$ 56,102 |
| Less Accumulated Depreciation | (18,701) |
| | \$ 37,401 |

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, 2020, as follows:

| | | |
|---------------------------------|--------|------------|
| <u>Year Ending August 31,</u> | | |
| 2021 | \$ | 12,672 |
| 2022 | | 6,336 |
| Total Minimum Rentals | \$ | 19,008 |
| Rental Expenditures in 2020 | \$ | 12,672 |

G. Risk Management

Property Casualty Program

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 2020, the District participated in the Texas Association of School Boards Risk Management Fund (the Fund) with coverage in Auto Liability, Auto Physical Damage, Privacy & Information Security, Property, and Legal 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 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, 2020, the Fund anticipates Lipan ISD has no additional liability beyond the contractual obligations for payment of contributions.

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

Workers' Compensation

During the year ended August 31, 2020, Lipan ISD met its statutory worker's compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

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The fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2019, the Fund carries a discounted reserve of \$45,439,534 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2020, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

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, 2019, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Unemployment Compensation

During the year ended August 31, 2020, 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, 2020, the Fund anticipates that Lipan 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, 2019, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

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 work load 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 Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

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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 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 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.

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

| <u>Contribution Rates</u> | | |
|---|------------|------|
| | 2019 | 2020 |
| Member | 7.7% | 7.7% |
| Non-Employer Contributing Entity (State) | 6.8% | 7.5% |
| Employers | 6.8% | 7.5% |
| | | |
| District's 2020 Employer Contributions | \$ 93,883 | |
| District's 2020 Member Contributions | \$ 219,939 | |
| 2019 NECE On-Behalf Contributions (state) | \$ 139,895 | |

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).

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to:

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

5. Actuarial Assumptions

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

| | |
|--|---|
| Valuation Date | August 31, 2018 rolled forward to August 31, 2019 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Market Value |
| Single Discount Rate | 7.25% |
| Long-term expected Investment Rate of Return | 7.25% |
| Municipal Bond Rate as of August 2019 | 2.63% |
| Inflation | 2.30% |
| Salary Increases including inflation | 3.05% to 9.05% |
| Benefit Changes during the year | None |
| Ad hoc post-employment benefit changes | None |

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full descriptions of these assumptions please see the actuarial valuation report dated November 9, 2018.

LIPAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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 Systems target asset allocation as of August 31, 2019 are summarized below:

| Asset Class | FY 2019 Target Allocation % | New Target Allocation % | Long-Term Expected Geometric Real Rate of Return *** |
|---|-----------------------------------|-------------------------------|--|
| Global Equity | | | |
| USA | 18.0% | 18.0% | 6.4% |
| Non-U.S. Developed | 13.0% | 13.0% | 6.3% |
| Emerging Markets | 9.0% | 9.0% | 7.3% |
| Directional Hedge Funds | 4.0% | - | - |
| Private Equity | 13.0% | 14.0% | 8.4% |
| Stable Value | | | |
| U.S. Treasuries **** | 11.0% | 16.0% | 3.1% |
| Stable Value Hedge Funds | 4.0% | 5.0% | 4.5% |
| Absolute Return | 0.0% | 0.0% | 0.0% |
| Real Return | | | |
| Global Inflation Linked Bonds **** | 3.0% | - | - |
| Real Estate | 14.0% | 15.0% | 8.5% |
| Energy, Natural Resources & Infrastructure | 5.0% | 6.0% | 7.3% |
| Commodities | 0.0% | 0.0% | 0.0% |
| Risk Parity | | | |
| Risk Parity | 5.0% | 8.0% | 5.8%/6.5%***** |
| Leverage | | | |
| Cash | 1.0% | 2.0% | 2.5% |
| Asset Allocation Leverage | - | -6.0% | 2.7% |
| Expected Return | 100.0% | 100.0% | 7.23% |
| <p>* Target allocations are based on the Strategic Asset Allocation as of FY2019</p> <p>** New allocations are based on the Strategic Asset Allocation to be implemented FY2020</p> <p>*** 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%</p> <p>**** New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds</p> <p>***** 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility</p> | | | |

LIPAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

7. Discount Rate Sensitivity Analysis

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

| | 1% Decrease in Discount Rate 6.25% | Discount Rate 7.25% | 1% Increase in Discount Rate 8.25% |
|--|---|---------------------------|---|
| District's proportionate share of the net pension liability: | \$ 1,554,430 | \$ 1,011,245 | \$ 571,160 |

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

At August 31, 2020, the District reported a liability of \$1,011,245 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|--|---------------------|
| District's proportionate share of the collective net pension liability | \$ 1,011,245 |
| State's proportionate share that is associated with District | <u>2,077,775</u> |
| Total | <u>\$ 3,089,020</u> |

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 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, 2018 through August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.0019453% which was an increase of 0.0002609% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation -

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

For the year ended August 31, 2020, the District recognized pension expense of \$326,389 and revenue of \$326,389 for support provided by the State.

LIPAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

At August 31, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 4,248 | \$ 35,112 |
| Changes in actuarial assumptions | 313,738 | 129,651 |
| Difference between projected and actual investment earnings | 10,154 | -- |
| Changes in proportion and difference between the District's contributions and the proportionate share of contributions | 169,559 | 143,899 |
| Contributions paid to TRS subsequent to the measurement date | 93,883 | -- |
| Total | \$ 591,582 | \$ 308,662 |

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 |
|-------------------------|------------------------------|
| 2021 | \$ 49,359 |
| 2022 | \$ 36,895 |
| 2023 | \$ 39,347 |
| 2024 | \$ 37,943 |
| 2025 | \$ 29,181 |
| Thereafter | \$ (3,688) |

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 that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

2. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf>, selecting About TRS then Publications then Financial Reports or 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 schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

LIPAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

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

| TRS-Care Monthly 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 |

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

| Contribution Rates | | |
|---|-------|--------|
| | 2019 | 2020 |
| Active Employee | 0.65% | 0.65% |
| Non-Employer Contributing Entity (State) | 1.25% | 1.25% |
| Employers | 0.75% | 0.75% |
| Federal/private Funding remitted by Employers | 1.25% | 1.25% |
| District's 2020 Employer Contributions | \$ | 37,484 |
| District's 2020 Member Contributions | \$ | 18,571 |
| 2019 NECE On-Behalf Contributions (state) | \$ | 38,871 |

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

LIPAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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

5. Actuarial Assumptions

The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. 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 valuations performed on 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, salary increases, and general payroll growth, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019:

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

Additional Actuarial Methods and Assumptions:

| | |
|--|--|
| Valuation Date | August 31, 2018 rolled forward to August 31, 2019 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Inflation | 2.30% |
| Single Discount Rate | 2.63% as of August 31, 2019 |
| Aging Factors | Based on plan specific experience |
| 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 |
| Healthcare Trend Rates | 7.5% to 10.25% |
| Election Rates | Normal Retirement: 65% participation prior to age 65 and 50% after age 65. |
| Ad Hoc Post-Employment Benefit Changes | None |

6. Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability. There was an increase of 1.06% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

LIPAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

7. Discount Rate Sensitivity Analysis

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

| | 1% Decrease in Discount Rate (1.63%) | Current Single Discount Rate (2.63%) | 1% Increase in Discount Rate (3.63%) |
|--|--|--|--|
| District's proportionate share of net OPEB liability | \$ 2,353,501 | \$ 1,949,357 | \$ 1,633,197 |

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

At August 31, 2020, the District reported a liability of \$1,949,357 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 | \$ 1,949,357 |
| State's proportionate share that is associated with the District | <u>2,590,261</u> |
| Total | <u>\$ 4,539,618</u> |

The Net OPEB liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 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, 2018 thru August 31, 2019.

At August 31, 2020 the District's proportion of the collective net OPEB liability was 0.004122%, which was an increase of .0887929%.

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

| | 1% Decrease 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 | \$ 1,590,218 | \$ 1,949,357 | \$ 2,430,441 |

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 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.

LIPAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

--- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the TOL.

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

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

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

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

For the year ended August 31, 2020, the District recognized OPEB expense of \$68,269 and revenue of \$68,269 for support provided by the State.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 95,633 | \$ 318,992 |
| Changes in actuarial assumptions | 108,272 | 524,330 |
| Differences between projected and actual investment earnings | 253 | 43 |
| Changes in proportion and difference between the District's contributions and the proportionate share of contributions | \$ 491,340 | \$ 101,157 |
| Contributions paid to TRS subsequent to the measurement date | 37,484 | |
| Total | <u>\$ 732,982</u> | <u>\$ 944,522</u> |

LIPAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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 |
|-----------------------|---------------------|
| 2021 | \$ (60,774) |
| 2022 | \$ (60,774) |
| 2023 | \$ (60,842) |
| 2024 | \$ (60,881) |
| 2025 | \$ (60,871) |
| Thereafter | \$ 55,118 |

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 current fiscal year ended August 31, 2020, the subsidy payment received by TRS-Care on behalf of the District was \$7,927.

J. Employee Health Care Coverage

During the year ended August 31, 2020, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$250 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 collectability 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, 2020.

LIPAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

L. Shared Services Arrangements

Shared Services Arrangement - Membership

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

Member Districts

Dublin ISD

Huckabay ISD

Lingleville ISD

Lipan ISD

Morgan Mill 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, Dublin 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 October 28, 2020, the date the financial statements were available to be issued and nothing significant requiring disclosure was noted.

COVID-19 Pandemic

In March 2020, Governor Abbott declared a state wide disaster proclamation in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures include closing schools, canceling public events, limiting gathering sizes, and requiring people to stay home unless they are leaving for an essential function. In March, 2020, the Governor closed all public and private K-12 school buildings throughout the remainder of the 2019-20 school year. The school district, however, continued to operate; educating students using continuous learning models.

The District reopened for the 2020-2021 school year. The full extent of the financial impact on the school district is unknown at this time.

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.

LIPAN INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT G-1
Page 1 of 2

| Data Control Codes | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) | |
|---|---|------------------|------------------|---|----------------|
| | 1 | 2 | 3 | | |
| | Original | Final | Actual | | |
| REVENUES: | | | | | |
| 5700 | <i>Local and Intermediate Sources</i> | \$ 1,942,200 | \$ 1,987,093 | \$ 1,988,717 | \$ 1,624 |
| 5800 | <i>State Program Revenues</i> | 3,259,037 | 3,500,555 | 3,493,293 | (7,262) |
| 5900 | <i>Federal Program Revenues</i> | 15,000 | 17,097 | 17,097 | -- |
| 5020 | Total Revenues | <u>5,216,237</u> | <u>5,504,745</u> | <u>5,499,107</u> | <u>(5,638)</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Instruction & Instructional Related Services: | | | | | |
| 0011 | <i>Instruction</i> | 2,826,356 | 2,729,276 | 2,673,783 | 55,493 |
| 0012 | <i>Instructional Resources and Media Services</i> | 30,046 | 30,046 | 27,083 | 2,963 |
| 0013 | <i>Curriculum and Staff Development</i> | 7,900 | 7,900 | 2,690 | 5,210 |
| | Total Instruction & Instr. Related Services | <u>2,864,302</u> | <u>2,767,222</u> | <u>2,703,556</u> | <u>63,666</u> |
| Instructional and School Leadership: | | | | | |
| 0023 | <i>School Leadership</i> | 303,994 | 316,494 | 305,663 | 10,831 |
| | Total Instructional & School Leadership | <u>303,994</u> | <u>316,494</u> | <u>305,663</u> | <u>10,831</u> |
| Support Services - Student (Pupil): | | | | | |
| 0031 | <i>Guidance, Counseling and Evaluation Services</i> | 77,494 | 80,494 | 77,129 | 3,365 |
| 0033 | <i>Health Services</i> | 61,585 | 74,998 | 68,650 | 6,348 |
| 0034 | <i>Student (Pupil) Transportation</i> | 79,716 | 162,390 | 72,392 | 89,998 |
| 0036 | <i>Cocurricular/Extracurricular Activities</i> | 170,713 | 170,713 | 140,095 | 30,618 |
| | Total Support Services - Student (Pupil) | <u>389,508</u> | <u>488,595</u> | <u>358,266</u> | <u>130,329</u> |
| Administrative Support Services: | | | | | |
| 0041 | <i>General Administration</i> | 317,021 | 321,021 | 297,927 | 23,094 |
| | Total Administrative Support Services | <u>317,021</u> | <u>321,021</u> | <u>297,927</u> | <u>23,094</u> |
| Support Services - Nonstudent Based: | | | | | |
| 0051 | <i>Plant Maintenance and Operations</i> | 736,731 | 966,731 | 849,152 | 117,579 |
| 0052 | <i>Security and Monitoring Services</i> | 8,000 | 8,000 | 4,960 | 3,040 |
| 0053 | <i>Data Processing Services</i> | 172,654 | 221,254 | 135,089 | 86,165 |
| | Total Support Services - Nonstudent Based | <u>917,385</u> | <u>1,195,985</u> | <u>989,201</u> | <u>206,784</u> |
| Debt Service: | | | | | |
| 0071 | <i>Principal on Long-Term Debt</i> | 51,481 | 50,876 | 50,591 | 285 |
| 0072 | <i>Interest on Long-Term Debt</i> | -- | 605 | 548 | 57 |
| | Total Debt Service | <u>51,481</u> | <u>51,481</u> | <u>51,139</u> | <u>342</u> |
| Capital Outlay: | | | | | |
| 0081 | <i>Capital Outlay</i> | 230,548 | 200,548 | 44,646 | 155,902 |
| | Total Capital Outlay | <u>230,548</u> | <u>200,548</u> | <u>44,646</u> | <u>155,902</u> |
| Intergovernmental Charges: | | | | | |
| 0093 | <i>Payments to Fiscal Agent/Member Dist.-SSA</i> | 80,000 | 71,400 | 71,308 | 92 |
| 0099 | <i>Other Intergovernmental Charges</i> | 62,000 | 92,000 | 57,933 | 34,067 |
| | Total Intergovernmental Charges | <u>142,000</u> | <u>163,400</u> | <u>129,241</u> | <u>34,159</u> |
| 6030 | Total Expenditures | <u>5,216,238</u> | <u>5,504,746</u> | <u>4,879,639</u> | <u>625,107</u> |

LIPAN INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT G-1

Page 2 of 2

| Data Control Codes | | 1 | 2 | 3 | Variance with Final Budget Positive (Negative) |
|--------------------------|--|---------------------|---------------------|---------------------|---|
| | | Budgeted Amounts | | Actual | |
| | | Original | Final | | |
| 1100 | Excess (Deficiency) of Revenues Over (Under) | | | | |
| 1100 | Expenditures | -- | -- | 619,468 | 619,468 |
| | Other Financing Sources (Uses): | | | | |
| 7913 | <i>Issuance of Capital Leases</i> | -- | -- | 56,102 | 56,102 |
| 8911 | <i>Transfers Out</i> | -- | (32,326) | (11,239) | 21,087 |
| 7080 | Total Other Financing Sources and (Uses) | -- | (32,326) | 44,863 | 77,189 |
| 1200 | Net Change in Fund Balance | -- | (32,326) | 664,331 | 696,657 |
| 0100 | Fund Balance - Beginning | 1,520,015 | 1,520,015 | 1,520,015 | -- |
| 3000 | Fund Balance - Ending | <u>\$ 1,520,015</u> | <u>\$ 1,487,689</u> | <u>\$ 2,184,346</u> | <u>\$ 696,657</u> |

LIPAN INDEPENDENT SCHOOL DISTRICT

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

| | Measurement Year | | | | | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------|--------------|--------------|--------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| District's proportion of the net pension liability (asset) | 0.0019453% | 0.0016844% | 0.0017705% | 0.0024001% | 0.0023111% | 0.0015033% | -- | -- | -- | -- |
| District's proportionate share of the net pension liability (asset) | \$ 1,011,245 | \$ 927,148 | \$ 566,104 | \$ 906,959 | \$ 816,943 | \$ 401,552 | -- | \$ -- | \$ -- | \$ -- |
| State's proportionate share of the net pension liability (asset) associated with the District | 2,077,775 | 2,091,382 | 1,251,696 | 1,454,082 | 1,311,219 | 1,064,338 | -- | -- | -- | -- |
| Total | \$ 3,089,020 | \$ 3,018,530 | \$ 1,817,800 | \$ 2,361,041 | \$ 2,128,162 | \$ 1,465,890 | \$ -- | \$ -- | \$ -- | \$ -- |
| District's covered payroll | \$ 2,415,495 | \$ 2,219,024 | \$ 2,195,331 | \$ 2,329,359 | \$ 2,179,052 | \$ 2,027,633 | -- | \$ -- | \$ -- | \$ -- |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 41.86% | 41.78% | 25.79% | 38.94% | 37.49% | 19.80% | -- | -- | -- | -- |
| Plan fiduciary net position as a percentage of the total pension liability | 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.

LIPAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
*LAST TEN FISCAL YEARS **

| | Fiscal Year | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| Contractually required contribution | \$ 93,883 | \$ 67,369 | \$ 56,627 | \$ 58,025 | \$ 76,282 | \$ 68,433 | \$ 38,113 | -- | \$ -- | \$ -- |
| Contributions in relation to the contractually required contribution | (93,883) | (67,369) | (56,627) | (58,025) | (76,282) | (68,433) | (38,113) | -- | -- | -- |
| Contribution deficiency (excess) | <u>\$ --</u> |
| District's covered payroll | \$ 2,855,497 | \$ 2,415,495 | \$ 2,219,024 | \$ 2,195,331 | \$ 2,329,359 | \$ 2,179,052 | \$ 2,027,633 | -- | \$ -- | \$ -- |
| Contributions as a percentage of covered payroll | 3.29% | 2.79% | 2.55% | 2.64% | 3.27% | 3.14% | 1.88% | -- | -- | -- |

• 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.

LIPAN 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 | | | | | | | | | |
|---|---------------------|---------------------|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| District's proportion of the collective net OPEB liability | 0.0041220% | 0.0032341% | 0.0034447% | -- | -- | -- | -- | -- | -- | -- |
| District's proportionate share of the collective net OPEB liability | \$ 1,949,357 | \$ 1,614,840 | \$ 1,497,968 | -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| State proportionate share of the collective net OPEB liability associated with the District | 2,590,261 | 1,966,633 | 1,785,948 | -- | -- | -- | -- | -- | -- | -- |
| Total | \$ 4,539,618 | \$ 3,581,473 | \$ 3,283,916 | \$ -- |
| District's covered payroll | \$ 2,415,495 | \$ 2,219,024 | \$ 2,195,331 | -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 80.70% | 72.77% | 68.23% | -- | -- | -- | -- | -- | -- | -- |
| Plan fiduciary net position as a percentage of the total OPEB liability | 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.

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

| | Fiscal Year | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| Statutorily or contractually required District contribution | \$ 37,484 | \$ 29,047 | \$ 22,424 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Contributions recognized by OPEB in relation to statutorily or contractually required contribution | (37,484) | (29,047) | (22,424) | -- | -- | -- | -- | -- | -- | -- |
| Contribution deficiency (excess) | <u>\$ --</u> |
| District's covered payroll | \$ 2,855,497 | \$ 2,415,495 | \$ 2,219,024 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Contributions as a percentage of covered payroll | 1.31% | 1.20% | 1.01% | -- | -- | -- | -- | -- | -- | -- |

* 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.

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

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

Change of assumptions that affected the measurement year of the total 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.

LIPAN INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2020*

| Year Ended August 31 | Tax Rates | | 3 Assessed/Appraised Value For School Tax Purposes |
|--------------------------------|------------------|-------------------|---|
| | 1 Maintenance | 2 Debt Service | |
| 2011 and Prior Years | \$ Various | \$ Various | \$ Various |
| 2012 | 1.1700 | .2430 | 155,511,182 |
| 2013 | 1.1700 | .2190 | 171,783,009 |
| 2014 | 1.1700 | .2218 | 172,031,686 |
| 2015 | 1.1700 | .2265 | 173,570,354 |
| 2016 | 1.1700 | .3180 | 176,722,849 |
| 2017 | 1.1700 | .3350 | 170,452,425 |
| 2018 | 1.1700 | .3200 | 171,423,221 |
| 2019 | 1.1700 | .3100 | 173,894,797 |
| 2020 (School Year Under Audit) | 1.0684 | .3000 | 187,358,344 |

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 Hood Central Appraisal District.

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

| 10 Beginning Balance 9/1/19 | 20 Current Year's Total Levy | 31 Maintenance Collections | 32 Debt Service Collections | 40 Entire Year's Adjustments | 50 Ending Balance 8/31/20 |
|--------------------------------------|---------------------------------------|----------------------------------|-----------------------------------|---------------------------------------|------------------------------------|
| \$ 10,152 | \$ -- | \$ 55 | \$ 9 | \$ (137) | \$ 9,951 |
| 3,948 | -- | -- | -- | -- | 3,948 |
| 3,827 | -- | 139 | 26 | -- | 3,662 |
| 4,228 | -- | 131 | 25 | -- | 4,072 |
| 3,230 | -- | 313 | 60 | -- | 2,857 |
| 8,526 | -- | 1,863 | 506 | -- | 6,157 |
| 15,607 | -- | 4,203 | 1,203 | (1,967) | 8,234 |
| 18,639 | -- | 4,564 | 1,248 | 1,593 | 14,420 |
| 63,745 | -- | 16,389 | 4,342 | (7,661) | 35,353 |
| -- | 2,490,139 | 1,873,734 | 526,133 | (10,884) | 79,388 |
| <u>\$ 131,902</u> | <u>\$ 2,490,139</u> | <u>\$ 1,901,391</u> | <u>\$ 533,552</u> | <u>\$ (19,056)</u> | <u>\$ 168,042</u> |
| \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |

LIPAN INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)
 GENERAL FUND
 AS OF AUGUST 31, 2020

| Data Control Codes | Explanation | Amount |
|--------------------------|--|-------------------|
| 1 | Total General Fund Fund Balance as of August 31, 2020 (Exhibit C-1 object 3000 for the General Fund only) | \$ 2,184,346 |
| 2 | Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only) | <u>30,847</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>--</u> |
| 5 | Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only) | <u>--</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>406,637</u> |
| 7 | Estimate of two months' average cash disbursements during the fiscal year | <u>813,274</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>1,250,758</u> |
| 13 | Excess (Deficit) Unassigned General Fund Fund Balance (1-12) | <u>\$ 933,588</u> |

The District will use the excess fund balance to fund construction projects.

LIPAN INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT J-3

| Data Control Codes | 1 | 2 | 3 |
|---|------------------|-----------------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) |
| REVENUES: | | | |
| 5700 <i>Local and Intermediate Sources</i> | \$ 10,100 | \$ 9,467 | \$ (633) |
| 5800 <i>State Program Revenues</i> | 775 | 4,855 | 4,080 |
| 5900 <i>Federal Program Revenues</i> | 109,400 | 93,337 | (16,063) |
| 5020 Total Revenues | <u>120,275</u> | <u>107,659</u> | <u>(12,616)</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Support Services - Student (Pupil): | | | |
| 0035 <i>Food Services</i> | 142,901 | 138,726 | 4,175 |
| Total Support Services - Student (Pupil) | <u>142,901</u> | <u>138,726</u> | <u>4,175</u> |
| Support Services - Nonstudent Based: | | | |
| 0051 <i>Plant Maintenance and Operations</i> | 9,700 | 7,554 | 2,146 |
| Total Support Services - Nonstudent Based | <u>9,700</u> | <u>7,554</u> | <u>2,146</u> |
| 6030 Total Expenditures | <u>152,601</u> | <u>146,280</u> | <u>6,321</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | | | |
| 1100 Expenditures | <u>(32,326)</u> | <u>(38,621)</u> | <u>(6,295)</u> |
| Other Financing Sources (Uses): | | | |
| 7915 <i>Transfers In</i> | 32,326 | 11,239 | (21,087) |
| 7080 Total Other Financing Sources and (Uses) | <u>32,326</u> | <u>11,239</u> | <u>(21,087)</u> |
| 1200 Net Change in Fund Balance | -- | (27,382) | (27,382) |
| 0100 Fund Balance - Beginning | 27,382 | 27,382 | -- |
| 3000 Fund Balance - Ending | <u>\$ 27,382</u> | <u>\$ --</u> | <u>\$ (27,382)</u> |

LIPAN INDEPENDENT SCHOOL DISTRICT

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT J-4

| Data Control Codes | 1 | 2 | 3 |
|---|-------------------|---------------------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) |
| REVENUES: | | | |
| 5700 <i>Local and Intermediate Sources</i> | \$ 556,000 | \$ 546,675 | \$ (9,325) |
| 5800 <i>State Program Revenues</i> | 1,000 | 12,680 | 11,680 |
| 5900 <i>Federal Program Revenues</i> | 181,398 | 172,718 | (8,680) |
| 5020 Total Revenues | <u>738,398</u> | <u>732,073</u> | <u>(6,325)</u> |
| EXPENDITURES: | | | |
| Debt Service: | | | |
| 0071 <i>Principal on Long-Term Debt</i> | 317,201 | 147,201 | 170,000 |
| 0072 <i>Interest on Long-Term Debt</i> | 400,714 | 390,714 | 10,000 |
| Total Debt Service | <u>717,915</u> | <u>537,915</u> | <u>180,000</u> |
| 6030 Total Expenditures | <u>717,915</u> | <u>537,915</u> | <u>180,000</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | | | |
| 1100 Expenditures | 20,483 | 194,158 | 173,675 |
| 1200 Net Change in Fund Balance | <u>20,483</u> | <u>194,158</u> | <u>173,675</u> |
| 0100 Fund Balance - Beginning | 951,837 | 951,837 | -- |
| 3000 Fund Balance - Ending | <u>\$ 972,320</u> | <u>\$ 1,145,995</u> | <u>\$ 173,675</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
Lipan Independent School District
211 Kickapoo Street
Lipan, Texas 76462

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lipan Independent School District, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise Lipan Independent School District's basic financial statements, and have issued our report thereon dated October 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lipan Independent School District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lipan Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lipan 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 the Lipan 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Lipan Independent School District in a separate letter dated October 28, 2020.

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

October 28, 2020

LIPAN INDEPENDENT SCHOOL DISTRICT*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2020*

| <u>Data Control Codes</u> | | <u>Responses</u> |
|-----------------------------------|---|------------------|
| 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 warranty hold was issued, the school district is considered to not have made timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued. | Yes |
| SF4 | Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold. | No |
| SF5 | Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds? | No |
| SF6 | Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state, or federal funds? | No |
| SF7 | Did the school district post the required financial information on its website in accordance with Government Code, Local Government code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year-end? | Yes |
| SF8 | Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget? | Yes |
| SF9 | Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end | \$ 1,413,642 |

