

ERA INDEPENDENT SCHOOL DISTRICT
ANNUAL REPORT FOR THE YEAR ENDED
JUNE 30, 2021

THIS PAGE LEFT BLANK INTENTIONALLY

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

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
CERTIFICATE OF BOARD	1
Independent Auditors' Report	2-4
Management's Discussion and Analysis	5-13
 <u>Basic Financial Statements</u>	
Government Wide Statements:	
A-1 Statement of Net Position	14
B-1 Statement of Activities	15
Governmental Fund Financial Statements:	
C-1 Balance Sheet	16
C-2 Reconciliation for C-1	17
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	18
C-4 Reconciliation for C-3	19
Proprietary Fund Financial Statements:	
D-1 Statement of Net Position	20
D-2 Statement of Revenues, Expenses, and Changes in Fund Net Position	21
D-3 Statement of Cash Flows	22
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Position	23
E-2 Statement of Changes in Fiduciary Net Position	24
Notes to the Financial Statements	25-52
 <u>Required Supplementary Information</u>	
G-1 Budgetary Comparison Schedule - General Fund	53
G-2 Schedule of the District's Proportionate Share of the Net Pension Liability (TRS)	54-55
G-3 Schedule of District Contributions to TRS Pension Plan	56-57
G-4 Schedule of the District's Proportionate Share of the Net OPEB Liability (TRS)	58
G-5 Schedule of District Contributions to the TRS OPEB Plan	59
Notes to Required Supplementary Information	60
 <u>Combining and Other Schedules</u>	
Nonmajor Governmental Funds:	
H-1 Combining Balance Sheet	61-63
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	64-66
Private Purpose Trust Funds:	
H-3 Combining Statement of Fiduciary Net Position - Private Purpose Trust Funds	67
H-4 Combining Statement of Additions, Deductions and Changes in Fiduciary Net Position	68
 <u>Required TEA Schedules</u>	
J-1 Schedule of Delinquent Taxes	69-70
J-2 Budgetary Comparison Schedule - Child Nutrition Fund	71
J-3 Budgetary Comparison Schedule - Debt Service Fund	72
J-4 State Compensatory Education and Bilingual Expenditures	73
 <u>Reports on Compliance, Internal Control, and Federal Awards</u>	
Report on Internal Control Over Financial Reporting and Compliance Based on an audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	74-75
Schedule of Findings and Questioned Costs	76
Schedule of Status of Prior Findings	77
Corrective Action Plan	78
L-1 Schools First Questionnaire	79

THIS PAGE LEFT BLANK INTENTIONALLY

CERTIFICATE OF BOARD

Era Independent School District
Name of School District

Cooke
County

049906
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved disapproved for the year ended June 30, 2021 at a meeting of the Board of Trustees of such school district on the 18th of October, 2021.

Signature of Board Secretary

Signature of Board President

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

THIS PAGE LEFT BLANK INTENTIONALLY

FREEMON, SHAPARD & STORY

Certified Public Accountants

Independent Auditors' Report

Era Independent School District
108 Hargrove Street
Era, Texas 76238

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 Era Independent School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Era Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Era Independent School District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-13, budgetary comparison information on page 53, and the schedule of the District's proportionate share of the net pension liability, the schedule of District pension plan contributions, the schedule of the District's proportionate share of the net OPEB liability, schedule of the District's OPEB plan contributions and the notes to the required supplementary information on pages 54-60 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 Era Independent School District's basic financial statements. The combining fund financial statements and the Texas Education Agency required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is in Exhibits identified in the Table of Contents as H-1 through H-4 and J-1 through J-4.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2021 on our consideration of the Era 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 Era Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Era Independent School District's internal control over financial reporting and compliance.

Freemon, Shapard & Story

A handwritten signature in cursive script that reads "Freemon, Shapard & Story".

Windthorst, Texas

October 6, 2021

ERA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021

In this section of the Annual Financial and Compliance Report, we, the managers of Era Independent School District (the "District"), discuss and analyze the District's financial performance for the twelve months ended June 30, 2021. Please read it in conjunction with the Independent Auditors' Report and the District's Basic Financial Statements which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position increased by \$1,232,233 as a result of this year's operations as per Exhibit B-1. Of total Net Position of \$3,282,666, the unrestricted deficit of \$1,290,419 is due to reflecting the District's proportionate share of the Net Pension Liability of TRS and the Net OPEB liability of TRS-Care. Additionally \$500,000 is currently restricted for capital projects.
- During the year, the District had expenses that were \$1,232,233 less than the \$7,641,243 generated in tax and other revenues for governmental programs. This compares to last year when revenues were \$451,017 more than expenses.
- Total cost of all of the District's programs was \$6,409,010 with three new program added this year in response to Covid-19, ESSER-School Emergency Relief, Coronavirus Relief Fund and ESSER II CRRSA and no old programs deleted this year.
- The General Fund ended the year with a fund balance of \$2,601,572. Of this amount \$500,000 has been committed by the Board for construction and capital expenditures. There was a net increase in fund balance of \$786,031 as reflected on Exhibit C-1.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The fiduciary statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds and trust funds as reflected on Exhibits H-1 through H-4 contain even more information about the District's individual funds. These are not required by Texas Education Agency (TEA). The sections labeled TEA Required Schedules and Reports on Compliance, Internal Controls and Federal Awards contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

ERA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins the Statement of Net Position (Exhibit A-1) and the Statement of Activities (Exhibit B-1). Its primary purpose is to show whether the District is in a better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets, liabilities, and deferred inflows and outflows of resources at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as paid lunches received from students and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and deferred outflow, and liabilities and deferred inflows) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we have presented the District as one kind of activity (governmental activities):

- Governmental activities—All of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state funding and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin with the Governmental Funds Balance Sheet (Exhibit C-1) and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the Every Student Succeeds Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District has two kinds of funds—governmental and proprietary—which use different accounting approaches.

ERA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021

· Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

· Proprietary funds—The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service fund reports activities that provide services for the District's other programs and activities—the District's self-insurance program.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position (Exhibit E-1 and E-2). We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

ERA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The analysis below presents both current and prior year data. Our analysis focuses on the Net Position (Table I) and changes in Net Position (Table II) of the District's governmental activities.

Net Position of the District's governmental activities increased from \$2,050,433 to \$3,282,666. Unrestricted Net Position – the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was (\$1,290,419) at June 30, 2021. This increase in governmental Net Position was the result of six factors. First, the District's expenditures exceeded the revenues by about \$803,949. Second, the District paid bonds in the amount of \$190,000 and acquired capital assets in the amount of \$681,599. Third the District recorded depreciation in the amount of \$417,697. Fourth, the District booked other reclassifications and adjustments of \$14 recognizing deferred revenues as revenues, eliminating interfund transactions and recognizing liabilities associated with maturing long term debt and interest. Fifth, the District recorded adjustments in the amount of \$93,368 to adjust and reflect the District's proportionate share of TRS pension expense. Sixth, the District recorded adjustments in the amount of \$68,446 in which the District must assume their proportionate share of the Net OPEB liability of TRS and current year adjustments relating thereto.

Table I
Era Independent School District
NET POSITION

	Governmental Activities	
	2021	2020
Current and other assets	\$ 3,515,897	\$ 2,719,996
Capital assets	<u>8,022,790</u>	<u>7,758,888</u>
Total assets	<u>11,538,687</u>	<u>10,478,884</u>
Deferred Outflows of Resources	<u>709,321</u>	<u>904,350</u>
Long-term liabilities	6,884,282	7,653,014
Other liabilities	<u>551,525</u>	<u>528,944</u>
Total liabilities	<u>7,435,807</u>	<u>8,181,958</u>
Deferred Inflows of Resources	<u>1,529,535</u>	<u>1,150,843</u>
Net Position:		
Invested in capital assets, net of related debt	3,540,719	3,055,482
Restricted	1,032,366	1,014,447
Unrestricted	<u>(1,290,419)</u>	<u>(2,019,496)</u>
Total Net Position	<u>\$ 3,282,666</u>	<u>\$ 2,050,433</u>

ERA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021

Table II
Era Independent School District
CHANGES IN NET POSITION

	Governmental Activities	
	<u>2021</u>	<u>2020</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 251,671	\$ 210,108
Operating Grants and Contributions	748,280	796,048
General Revenues:		
Maintenance and Operations Taxes	1,903,723	1,816,583
Debt Service Taxes	336,009	318,438
State Aid Formula Grants	3,684,415	3,524,827
Investment Earnings	3,988	27,060
Miscellaneous	713,157	106,850
Total Revenue	<u>7,641,243</u>	<u>6,799,914</u>
Expenses:		
Instruction	3,084,993	3,191,466
Instructional Resources and Media Services	70,577	71,260
Curriculum and Staff Development	1,085	9,023
School Leadership	288,808	303,492
Guidance, social work, health, transportation	70,148	73,683
Health Services	89,013	56,868
Student (Pupil) Transportation	208,855	193,968
Food Services	269,947	301,532
Extracurricular activities	559,692	483,851
General administration	489,451	541,320
Facilities Maintenance and Security	734,167	664,782
Security and Monitoring Services	44,111	12,410
Data Processing	149,375	128,381
Debt Service-Interest on Long Term Debt	114,465	118,253
Debt Service-Bond Issuance Cost and Fees	450	450
Capital Outlay	599	-
Payments related to Shared Services Arrangement	233,274	198,159
Total Expenses	<u>6,409,010</u>	<u>6,348,898</u>
Increase (Decrease) in Net Position	1,232,233	451,016
Net Position at Beginning	2,050,433	1,572,699
Prior Period Adjustment	-	26,718
Net Position at Ending	<u>\$ 3,282,666</u>	<u>\$ 2,050,433</u>

The District's total revenues increased 12.37% (\$841,329), an increase from \$6,799,914 last year to \$7,641,243 in the current year.

ERA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021

The total cost of all programs and services increased .94% (\$60,112), an increase from \$6,348,898 last year to \$6,409,010. However, as shown in the Statement of Activities (Exhibit B-1), the amount that our taxpayers ultimately financed for these activities through District taxes was \$2,239,732 because some of the costs were paid by those who directly benefited from the programs (\$251,671) or by other governments and organizations that subsidized certain programs with grants and contributions (\$748,280), and by State formula funding (\$3,684,415).

Financial Analysis of the Government's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As the District completed the year, its governmental funds as presented in the Balance Sheet reported a combined fund balance of \$3,133,938 which is 34.5% (\$803,949) more than last year's total of \$2,329,989. Included in this year's total change in fund balance is an increase of \$786,031 in the District's General Fund. The detail for the General Fund's increase is evident from the governmental activities analysis as highlighted in the Statement of Revenues, Expenditures, and Changes in Fund Balance (Exhibit C-3). The Other Resource total of \$17,638 is attributable to property tax audit adjustment for 2017-18 by TEA relative to prior year property tax adjustments.

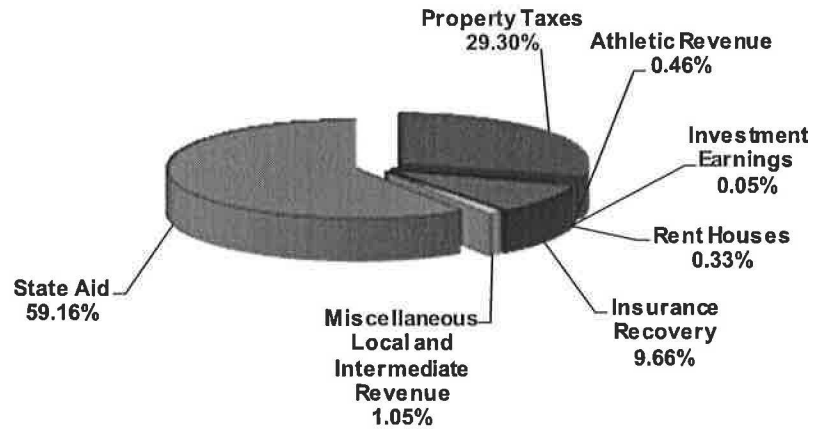
Approximately 29.3% of the District's total General Fund financial resources are derived from property taxes. State funding is based upon a combination of weighted average daily student attendance and property values. The State funding formula has been modified continually through the years and state funding represents approximately 59.16% of the District's revenues. The District property tax rates decreased from \$0.97 to \$0.9664 for M&O and remained the same of \$0.17 for Debt Service. The total assessed valuation increased from \$187,496,579 to \$189,799,014 in the current year, resulting in a levy of \$2,156,876 increased from \$2,137,461 in the prior year.

Over 44% of General Fund expenditures were dedicated for instructional effort. When combined with student support services such as counseling, nursing, extracurricular and transportation, 62% of General Fund expenditures were dedicated to direct student services.

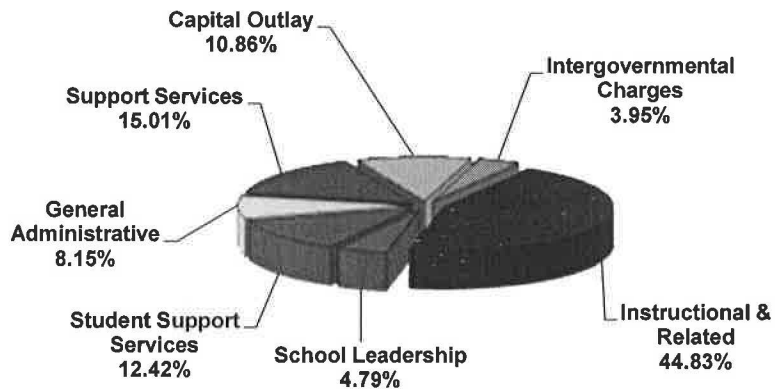
Other changes in fund balances should also be noted. The District's capital expenditure total of \$681,599 includes completion of the District wide roofing project, electrical work at Ag shop including for a plasma cutter and a whirlpool table with seat. Although these and other capital expenditures reduce available fund balances, they create new assets for the District as reported in the Statement of Net Position and as discussed in Note IV-F to the financial statements.

ERA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021

General Fund- Operating Revenue



General Fund-Operating Expenditure



ERA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in June 2020). The second category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$2,601,572 reported on Statement of Revenues, Expenditures and Changes in Fund Balances on Exhibit C-3 differs from the General Fund's budgetary fund balance of \$1,815,541 reported in the budgetary comparison schedule in Exhibit G-1. This is principally due to increased revenues and decreased expenditures over budgeted amounts for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021 the District had \$16,442,565 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$651,599 or 4.13%, above last year.

	Governmental Activities	
	<u>2021</u>	<u>2020</u>
Land	\$ 127,945	\$ 127,945
Buildings, Net of Depreciation	7,348,446	6,665,780
Furniture and Equipment, Net of Depreciation	546,399	687,736
Construction in Progress	-	277,427
Total Capital Assets, net of Depreciation	<u>\$ 8,022,790</u>	<u>\$ 7,758,888</u>

More detailed information about the District's capital assets is presented in Note IV-F to the financial statements.

Debt

At year-end, the District had \$3,980,000 in bonds outstanding versus \$4,170,000 last year—which includes a decrease due to bond payment of \$190,000. More detailed information about the District's long-term liabilities is presented in Notes IV-G and IV-H to the financial statements.

Era Independent School District General Obligation Bonds

	Governmental Activities	
	<u>2021</u>	<u>2020</u>
General Obligation Bonds	<u>\$ 3,980,000</u>	<u>\$ 4,170,000</u>
Total Long Term Debt	<u>\$ 3,980,000</u>	<u>\$ 4,170,000</u>

ERA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's elected and appointed officials considered many factors when setting the fiscal-year 2021-2022 budget and tax rates, including the current economy and student attendance. The District's refined average daily attendance increased slightly from 458 students in 2019-2020 to 461 students in 2020-2021 school year. Budgeted revenues are expected to decrease \$1,004,947. Budgeted expenditures are expected to decrease \$235,766. These indicators were taken into account when adopting the General Fund budget for 2021-2022. Total projected revenues for 2021-2022 are \$5,673,824 and total projected expenditures are \$5,673,824. If these estimates are realized, the District's budgetary General Fund balance is expected to remain virtually the same by the close of 2021-2022. The Maintenance and Operations tax rate will decrease from \$.9664 to \$.872 and the Debt Service tax rate will be maintained at \$.17 per \$100 valuation.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Era Independent School District, 108 Hargrove, Era, Texas 76238.

BASIC FINANCIAL STATEMENTS

ERA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 2,132,647
1220 Property Taxes - Delinquent	95,148
1230 Allowance for Uncollectible Taxes	(21,637)
1240 Due from Other Governments	1,195,587
1290 Other Receivables, Net	109,938
1410 Prepayments	6
Capital Assets:	
1510 Land	127,945
1520 Buildings, Net	7,348,446
1530 Furniture and Equipment, Net	546,399
1800 Restricted Assets	4,208
1000 Total Assets	11,538,687
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	438,325
1706 Deferred Outflow Related to TRS OPEB	270,996
1700 Total Deferred Outflows of Resources	709,321
LIABILITIES	
2110 Accounts Payable	11,287
2140 Interest Payable	53,078
2150 Payroll Deductions and Withholdings	3,600
2160 Accrued Wages Payable	264,416
2200 Accrued Expenses	15,028
2400 Payable from Restricted Assets	14,116
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	190,000
Due in More than One Year:	
2502 Bonds, Notes, Leases, etc.	4,238,993
2540 Net Pension Liability (District's Share)	1,073,333
2545 Net OPEB Liability (District's Share)	1,571,956
2000 Total Liabilities	7,435,807
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	230,186
2606 Deferred Inflow Related to TRS OPEB	1,299,349
2600 Total Deferred Inflows of Resources	1,529,535
NET POSITION	
3200 Net Investment in Capital Assets	3,540,719
Restricted:	
3850 Restricted for Debt Service	500,194
3860 Restricted for Capital Projects	500,000
3890 Restricted for Other Purposes	32,172
3900 Unrestricted	(1,290,419)
3000 Total Net Position	\$ 3,282,666

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

ERA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

EXHIBIT B-1

FOR THE YEAR ENDED JUNE 30, 2021

				Net (Expense) Revenue and Changes in Net Position	
Data Control Codes		Program Revenues			
	1	3	4	6	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 3,084,993	\$ 75,012	\$ 476,823	\$ (2,533,158)
12	Instructional Resources and Media Services	70,577	3,464	4,454	(62,659)
13	Curriculum and Instructional Staff Development	1,085	-	-	(1,085)
23	School Leadership	288,808	-	20,687	(268,121)
31	Guidance, Counseling, and Evaluation Services	70,148	-	5,454	(64,694)
33	Health Services	89,013	-	6,650	(82,363)
34	Student (Pupil) Transportation	208,855	-	9,109	(199,746)
35	Food Services	269,947	102,764	135,522	(31,661)
36	Extracurricular Activities	559,692	48,681	21,935	(489,076)
41	General Administration	489,451	-	13,424	(476,027)
51	Facilities Maintenance and Operations	734,167	21,750	12,309	(700,108)
52	Security and Monitoring Services	44,111	-	25,194	(18,917)
53	Data Processing Services	149,375	-	9,570	(139,805)
72	Debt Service - Interest on Long-Term Debt	114,465	-	7,149	(107,316)
73	Debt Service - Bond Issuance Cost and Fees	450	-	-	(450)
81	Capital Outlay	599	-	-	(599)
93	Payments Related to Shared Services Arrangements	233,274	-	-	(233,274)
[TP] TOTAL PRIMARY GOVERNMENT:		\$ 6,409,010	\$ 251,671	\$ 748,280	(5,409,059)
Data Control Codes	General Revenues:				
	Taxes:				
MT	Property Taxes, Levied for General Purposes				1,903,723
DT	Property Taxes, Levied for Debt Service				336,009
SF	State Aid - Formula Grants				3,684,415
IE	Investment Earnings				3,988
MI	Miscellaneous Local and Intermediate Revenue				713,157
TR	Total General Revenues				6,641,292
CN	Change in Net Position				1,232,233
NB	Net Position - Beginning				2,050,433
NE	Net Position - Ending				\$ 3,282,666

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

ERA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 1,616,650	\$ 497,897	\$ 8,192	\$ 2,122,739
1220 Property Taxes - Delinquent	82,951	12,197	-	95,148
1230 Allowance for Uncollectible Taxes	(19,851)	(1,786)	-	(21,637)
1240 Due from Other Governments	1,143,173	2,297	50,117	1,195,587
1290 Other Receivables	109,938	-	-	109,938
1410 Prepayments	6	-	-	6
1000 Total Assets	\$ 2,932,867	\$ 510,605	\$ 58,309	\$ 3,501,781
LIABILITIES				
2110 Accounts Payable	\$ 11,287	\$ -	\$ -	\$ 11,287
2150 Payroll Deductions and Withholdings Payable	3,600	-	-	3,600
2160 Accrued Wages Payable	241,319	-	23,097	264,416
2200 Accrued Expenditures	11,988	-	3,040	15,028
2000 Total Liabilities	268,194	-	26,137	294,331
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	63,101	10,411	-	73,512
2600 Total Deferred Inflows of Resources	63,101	10,411	-	73,512
FUND BALANCES				
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	500,194	-	500,194
3490 Other Restricted Fund Balance	-	-	13,364	13,364
Committed Fund Balance:				
3510 Construction	250,000	-	-	250,000
3530 Capital Expenditures for Equipment	250,000	-	-	250,000
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	18,808	18,808
3600 Unassigned Fund Balance	2,101,572	-	-	2,101,572
3000 Total Fund Balances	2,601,572	500,194	32,172	3,133,938
4000 Total Liabilities, Deferred Inflows & Fund Balances	\$ 2,932,867	\$ 510,605	\$ 58,309	\$ 3,501,781

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

ERA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2021

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 3,133,938
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	-
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets were \$15,790,966 and the accumulated depreciation was \$8,032,078. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation), long-term debt and accrued interest totaling \$4,703,406 in the governmental activities is to increase (decrease) net position.	3,055,482
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2021 capital outlays (\$681,599) and debt principal payments (\$190,000) is to increase (decrease) net position.	871,599
Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$438,325, a deferred resource inflow in the amount of \$230,186 and a net pension liability in the amount of \$1,073,333. This resulted in a decrease in net position.	(865,194)
Included in the items to related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$270,996, a deferred resource inflow in the amount of \$1,299,349, and a net OPEB liability in the amount of \$1,571,956. This resulted in a decrease in net position.	(2,600,309)
The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(417,697)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	104,847
Net Position of Governmental Activities	\$ 3,282,666

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

ERA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,727,435	\$ 346,475	\$ 143,017	\$ 3,216,927
5800 State Program Revenues	3,951,336	7,149	56,716	4,015,201
5900 Federal Program Revenues	-	-	370,402	370,402
5020 Total Revenues	6,678,771	353,624	570,135	7,602,530
EXPENDITURES:				
Current:				
0011 Instruction	2,584,731	-	280,190	2,864,921
0012 Instructional Resources and Media Services	63,650	-	5,195	68,845
0013 Curriculum and Instructional Staff Development	1,085	-	-	1,085
0023 School Leadership	283,016	-	-	283,016
0031 Guidance, Counseling, and Evaluation Services	68,164	-	-	68,164
0033 Health Services	87,662	-	-	87,662
0034 Student (Pupil) Transportation	134,540	-	99	134,639
0035 Food Services	7,485	-	236,073	243,558
0036 Extracurricular Activities	436,317	-	26,822	463,139
0041 General Administration	481,370	-	-	481,370
0051 Facilities Maintenance and Operations	720,181	-	2,300	722,481
0052 Security and Monitoring Services	19,072	-	25,000	44,072
0053 Data Processing Services	147,495	-	-	147,495
Debt Service:				
0071 Principal on Long-Term Debt	-	190,000	-	190,000
0072 Interest on Long-Term Debt	-	145,800	-	145,800
0073 Bond Issuance Cost and Fees	-	450	-	450
Capital Outlay:				
0081 Facilities Acquisition and Construction	641,548	-	-	641,548
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	233,274	-	-	233,274
6030 Total Expenditures	5,909,590	336,250	575,679	6,821,519
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	769,181	17,374	(5,544)	781,011
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	5,300	-	-	5,300
7915 Transfers In	-	-	6,088	6,088
7949 Other Resources	17,638	-	-	17,638
8911 Transfers Out (Use)	(6,088)	-	-	(6,088)
7080 Total Other Financing Sources (Uses)	16,850	-	6,088	22,938
1200 Net Change in Fund Balances	786,031	17,374	544	803,949
0100 Fund Balance - July 1 (Beginning)	1,815,541	482,820	31,628	2,329,989
3000 Fund Balance - June 30 (Ending)	\$ 2,601,572	\$ 500,194	\$ 32,172	\$ 3,133,938

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

ERA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 803,949
The District uses internal service funds to charge the costs of certain activities, such as self-insurance to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.	(710)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2021 capital outlays and debt principal payments is to increase net position.	871,599
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(417,697)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	14
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$78,445. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$69,407. Finally the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$102,406. The net result is a decrease in the change in net position.	(93,368)
GASB 75 required that certain TRS OPEB plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$28,725. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling \$26,323. Finally the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$66,044. The net result is an increase in the change in net position.	68,446
Change in Net Position of Governmental Activities	\$ 1,232,233

ERA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

EXHIBIT D-1

	Governmental Activities -
	Internal Service Fund
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 9,908
Total Current Assets	<u>9,908</u>
Noncurrent Assets:	
Restricted Assets	<u>4,208</u>
Total Noncurrent Assets	<u>4,208</u>
Total Assets	<u>14,116</u>
LIABILITIES	
Current Liabilities:	
Payable from Restricted Assets	14,116
Total Liabilities	<u>14,116</u>

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

ERA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 1,702
Total Operating Revenues	1,702
OPERATING EXPENSES:	
Payroll Costs	2,417
Total Operating Expenses	2,417
Operating Income (Loss)	(715)
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	5
Total Nonoperating Revenues (Expenses)	5
Change in Net Position	(710)
Total Net Position - July 1 (Beginning)	710
Total Net Position - June 30 (Ending)	\$ -

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

ERA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

EXHIBIT D-3

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 1,702
Cash Payments for Insurance Claims	(1,994)
Net Cash Used for Operating Activities	(292)
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	5
Net Decrease in Cash and Cash Equivalents	(287)
Cash and Cash Equivalents at Beginning of Year	14,403
Cash and Cash Equivalents at End of Year	\$ 14,116
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (715)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	423
Net Cash Used for Operating Activities	\$ (292)

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

ERA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	Private Purpose Trust Funds	Custodial Fund
ASSETS		
Cash and Cash Equivalents	\$ 69,511	\$ 22,090
Total Assets	<u>69,511</u>	<u>\$ 22,090</u>
NET POSITION		
Restricted for Scholarships/Classroom Grants	69,511	-
Restricted for Other Purposes	<u>-</u>	<u>22,090</u>
Total Net Position	<u>\$ 69,511</u>	<u>\$ 22,090</u>

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

ERA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Private Purpose Trust Funds	Custodial Fund
ADDITIONS:		
Contributions to Student Groups	\$ -	\$ 3,942
Student Group Fundraising Activities	-	29,504
Earnings from Temporary Deposits	56	5
Contributions, Gifts and Donations	47,000	-
Total Additions	47,056	33,451
DEDUCTIONS:		
Professional and Contracted Services	36,000	-
Supplies and Materials	-	33,531
Other Deductions	64,036	941
Total Deductions	100,036	34,472
Change in Fiduciary Net Position	(52,980)	(1,021)
Total Net Position - July 1 (Beginning)	122,491	23,111
Total Net Position - June 30 (Ending)	\$ 69,511	\$ 22,090

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

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Era Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in **GASB Statement No. 76**, and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

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.

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 resource 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.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Era Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support. The District has no business-type activities.

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

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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

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

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

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

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

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

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

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

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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

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

Agency Funds utilize the accrual basis of accounting.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. Major revenue sources include local property taxes and state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government, food services and debt services.
2. **Debt Service Funds** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

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

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Capital Projects Funds** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Proprietary Funds:

3. **Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Fund is a self-funded Worker's Compensation Insurance Fund.

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

Fiduciary Funds:

4. **Custodial Funds** – The District accounts for resources held for others in a custodial capacity in custodial funds. These funds are used to account for assets held by the District as an agent for student and other organizations. These funds were previously reported in an agency fund. This change resulted in reporting the detail of additions to and deductions from custodial funds causing a change in the fund net position whereas these details were not reported for agency funds. This change is a result of the implementation of GASB 84. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriation utilization through a budgeted program.
5. **Private Purpose Trust Fund**- The District accounts for donations for which the donor has stipulated that both the principal and the income or in restricted donations, just the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund consists of scholarship funds

E. OTHER ACCOUNTING POLICIES

1. The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of twelve months or less from the date of acquisition.

Temporary investments are recorded at fair value or amortized cost and consist of U.S. Government agency obligations, mutual funds, and investments in the registered external local government investment pools. External local government investment pools are recognized at amortized cost as permitted by GASB Statement No. 79, Certain External Investment Pools and Pool Participants. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments. Statutes authorize the District to invest in obligations of the U.S. Treasury or the State of Texas (the "State") obligations of certain U.S. Government agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by Chapter 2256 of the Texas Government Code and Sections 23.80 and 20.42 of the Texas Education Code. For purposes of the statement of cash flows, highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

2. The District generally does not report inventories of supplies such as consumable maintenance, instructional, office, athletic and transportation items due to the value of these items on hand at any given date being deemed immaterial. The District had no material inventories at June 30, 2021.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at time of bond issuance. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

4. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the district. At June 30, 2021, the District had no material liability for accrued personal sick leave.
5. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

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

	<u>Years</u>
Buildings	39
Building Improvements	39
Vehicles	4-7
Office Equipment	5
Computer Equipment	5
Other Equipment	5-15

6. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.
7. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a State wide data base for policy development and funding plans.
8. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.
9. The District is exposed to various risks of loss related to torts, theft, damage, or destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2021, the District participated in the Texas Rural Education Association-Risk Management Cooperative (TREA-RMC) Fund's Property and Casualty Program with coverage in property, general liability and other liability. This program was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims. The Fund uses the services of an independent

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

actuary to determine the adequacy of reserves and fully fund those reserves.
For the year ended June 30, 2021, the Fund anticipates Era I.S.D. has no additional liability beyond the contractual obligations for payment of contributions.

The District also participates in a shared risk workmen's compensation pool. The District is liable for its own workmen's compensation claims up to a certain level. If claims exceed this level, the remaining liability is shared by the other members of the pool. The District is also liable for its own shared percentage of others districts that have exceeded their liability limit. The pool as a whole is also insured with a stop-loss policy should it incur claims above a certain level.

10. According to the District's fund balance policy, fund balance is comprised of the following components:

Non-spendable fund balance – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact, such as inventory and prepaid items. The District has no non-spendable funds.

Restricted fund balance – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulation of other governments. At June 30, 2021, the District had restricted fund balances as follows:

CoServ Teacher Grants	9,816
T.A.F.E Grant Fund	3,548
Retirement of Long Term Debt	<u>500,194</u>
Total Restricted Fund Balance	<u>\$ 513,558</u>

Committed fund balance – Amounts that can be used only for specific purposes determined by a formal action by Board of Trustees policy or resolution. This includes the budget reserves account. At June 30, 2021, the District had committed fund balances as follows:

For capital expenditures for equipment	\$ 250,000
For construction	<u>\$ 250,000</u>
Total fund balance commitments	<u>\$ 500,000</u>

Assigned fund balance – Amounts that are designated by the District for a specific purpose but are not spendable until a budget ordinance is passed by the Board of Trustees. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. The District has designated the Board of Trustees for such authority as follows:

Campus Activity Fund	<u>\$ 18,808</u>
----------------------	------------------

Unassigned fund balance – All amounts not included in other spendable classifications. The District's financial goal is to have a sufficient balance in the operating fund with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. Additionally, the District shall strive to maintain a yearly fund balance in the general operating fund in which the total fund balance is at least equivalent to three times the District's average total monthly operating expenditures.

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

11. In addition to assets, the statement of financial position 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 that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District's deferred outflows of resources consist of amounts paid to TRS pension retirement system and OPEB (TRS-Care) plan which has not yet expensed by the measurement date of August 31, 2020.
12. In addition to liabilities, the statement 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 a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. The District also reports as deferred inflows of resources amounts paid to TRS pension retirement system and OPEB (TRS-Care) plan which have not yet been realized by the measurement date of August 31, 2020.
13. Recently Issued Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, was originally effective for fiscal years beginning after December 15, 2019. However this date was postponed for 18 months and now is effective for reporting periods beginning after June 15, 2021. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessor is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that this statement will have on its financial statements for the year ended June 30, 2022.

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

I. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

<u>Capital Assets</u> <u>at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value at the</u> <u>Beginning of the</u> <u>Year</u>	<u>Change in Net</u> <u>Assets</u>
Land	\$ 127,945	\$ -	\$ 127,945	
Buildings & Improvements	13,072,324	6,406,544	6,665,780	
Furniture & Equipment	2,313,270	1,625,534	687,736	
Construction in Progress	<u>277,427</u>	<u>-</u>	<u>277,427</u>	
Change in Net Position	<u>\$ 15,790,966</u>	<u>\$ 8,032,078</u>	<u>\$ 7,758,888</u>	\$ 7,758,888

<u>Long-term Liabilities</u> <u>at the Beginning of the year</u>	<u>Payable at the</u> <u>Beginning of the</u> <u>Year</u>	<u>Change in Net</u>
Serial Bonds Payable	(\$ 4,170,000)	
Interest Payable	(54,480)	
Unamortized Bond Premium	<u>(478,926)</u>	
Change in Net Position		<u>(4,703,406)</u>

Net Adjustment to Net Position	<u>\$ 3,055,482</u>
--------------------------------	---------------------

Another element of the reconciliation on Exhibit C-2 relates to deferred inflows and outflows of resources relating to the recording of the District's proportionate share of TRS pension Liability (GASB 68) and TRS Care OPEB liability (GASB 75). These deferred inflows and outflows are not due and payable in the current period and, therefore, are not reported in the government fund statements. The adjustment to reflect these liabilities in the government-wide financial statements results in a net adjustment to Net Position of \$865,194 for net pension liability required to be recorded by GASB 68 and \$2,600,309 for the net OPEB liability required to be recorded by GASB 75.

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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

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

	<u>Amount</u>	<u>Adjustments to</u> <u>Changes in Net</u> <u>Position</u>	<u>Adjustments to</u> <u>Net Position</u>
<u>Current Year Capital Outlay</u>			
Land	\$ -	\$ -	\$ -
Buildings & Improvements	33,592	33,592	33,592
Furniture & Equipment	7,059	7,059	7,059
Construction in Progress	640,948	640,948	640,948
Total Capital Outlay	<u>681,599</u>	<u>681,599</u>	<u>681,599</u>
<u>Debt Principal Payments</u>			
Bond Principal and Accreted Interest	190,000	190,000	190,000
Total Principal Payments	<u>190,000</u>	<u>190,000</u>	<u>190,000</u>
Total Adjustment to Net Position		<u>\$ 871,599</u>	<u>\$ 871,599</u>

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

	<u>Amount</u>	<u>Adjustments to</u> <u>Change in Net</u> <u>Position</u>	<u>Adjustments</u> <u>to</u> <u>Net Position</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	(\$ 160,518)	(\$ 160,518)	\$ -
Uncollected taxes(assumed collectible) from Current Year Levy	39,937	39,937	39,937
Uncollected Taxes (assumed collectible) from Prior Year Levy	33,575	89,260	33,575
<u>Reclassify Proceeds of Bonds, Loans & Capital Leases</u>			
Amortization of Original Issue Premium	29,933	29,933	29,933
Accrued Interest from Prior Year	54,480	54,480	54,480
Accrued Interest from Current Year	(53,078)	(53,078)	(53,078)
Total		<u>\$ 14</u>	<u>\$ 104,847</u>

Another element of the reconciliation on Exhibit C-4 relates to the District's recognition of its proportionate share of the net pension liability required by to be reported by GASB 68 and net OPEB liability required to be reported by GASB 75. These deferred inflows and outflows of resources related to the net pension and OPEB liability do not require the use of current financial resources and, therefore, are not reported as expenditures in the government fund statements.

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J-2 and J-3.

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

1. Prior to June 20th, the District prepares a budget for the next succeeding fiscal year beginning July 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget 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.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District had no expenditures in excess of appropriations at year end.

C. DEFICIT FUND EQUITY

The District had no fund equity deficit at year end.

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract, contents of which are set out in the *Depository Contract Law*. The depository bank deposits for safekeeping and trust with its agent banks, 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").

On June 30, 2021, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$2,206,366 and the bank balance was \$2,235,753. The District's cash deposits at June 30, 2021 and during the year then ended were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

<u>Depository Institution</u>	<u>Month</u>	<u>Highest combined balances of cash, savings and time deposits</u>	<u>Market value of securities pledged</u>	<u>FDIC Coverage</u>
First State Bank of Gainesville, Texas	February 2021	<u>\$ 1,499,063</u>	<u>\$ 1,323,620</u>	<u>\$500,000</u>

As of June 30, 2021, the District's deposits and investments with respective maturities and credit rating:

<u>Type of Deposit</u>	<u>Fair Value</u>	<u>Weighted Average Maturities (in days)</u>	<u>Standard & Poor's Rating</u>
Cash (FDIC Insured)	\$ 1,005,660	N/A	N/A
Investment Pools:			
Texpool-GF	1,196,498	Cannot exceed 60 days	AAAm
Texpool-ISF	<u>4,208</u>	Cannot exceed 60 days	AAAm
Total Cash and Cash Equivalents	<u>\$ 2,206,366</u>		

Investments

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

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy: (1) obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009, (2) certificate of deposit and share certificates as permitted by Government Code 2256.010, (3) fully collateralized repurchase agreements permitted by Government Code 2256.011, (4) a securities lending program as permitted by Government Code 2256.0115, (5) banker's acceptances as permitted by Government Code 2256.012, (6) commercial paper as permitted by Government Code 2256.013, (7) no-load mutual funds, except for bond proceeds, and no-load money market mutual funds, as permitted by Government Code 2256.014, (8) guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015 and (9) public funds investment pools as permitted by Government Code 2256.016.

The Public Funds Investment Act requires an annual audit of investment practices. Audit procedures in this area are conducted as a part of the overall audit, and focus on the areas of investment practices, management reports and establishment of appropriate policies. The District materially adhered to the requirements of the Public Funds Investment Act. Additionally, investment practices of the District were in accordance with local policies.

The District participates in the Texas Local Government Investment Pool ("Tex Pool"), an external local government investment pool. The State comptroller of Public Accounts maintains oversight responsibility for TexPool. This responsibility includes the ability to influence operations, designation of management, and accountability for fiscal matters. In accordance with GASB Statement No. 79, the external local government investment pools do not have any limitations and restrictions on withdrawal such as notice periods on maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

Analysis of Specific Deposit and Investment Risks

Credit Risk Credit risk is the possibility of loss occurring due to the inability of an investment instrument to meet financial obligations. At June 30, 2021, investments were diversified in external local government investment pools with sufficient ratings from Standard & Poor's to reduce the probability of loss and comply with District's Investment Policy.

Custodial Credit Risk Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent not in the District's name. At June 30, 2021, the District was not exposed to custodial credit risk.

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District shall diversify in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District shall use final and weighted-average-maturity limits and diversification. The District shall monitor interest rate risk using weighted average maturity and specific identification.

Foreign Currency Risk for Investments The District does not make investments that have foreign currency risk.

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

Era Independent School District has no investments measured at the Net Asset Value (NAV) per Share (or its equivalent).

B. PROPERTY TAXES

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

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND BALANCES AND TRANSFERS

The District had no interfund balances at June 30, 2021.

Interfund transfers are defined as "flow of assets without equivalent flows of assets in return and without requirement of repayment." Interfund transfers for the year ended June 30, 2021 consist of the following:

Transfer to Nonmajor Governmental Funds from:	
General Fund	<u>\$ 6,088</u>

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2021, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Insurance Company</u>	<u>Total Receivables</u>
Governmental Activities:				
General Fund	\$ 82,951	\$ 1,143,173	\$ 109,938	\$1,336,062
Debt Service Fund	12,197	2,297		14,494
Nonmajor Governmental Funds	-	50,117	-	50,117
Total - Governmental Activities	<u>\$ 95,148</u>	<u>\$ 1,195,587</u>	<u>\$ 109,938</u>	<u>\$1,400,673</u>
Allowance doubtful collections	<u>\$ 21,637</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,637</u>

Payables at June 30, 2021, were as follows:

	<u>Accounts Payable</u>	<u>Payroll Deductions & Withholding</u>	<u>Salaries and Benefits</u>	<u>Accrued Expenditures</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:						
General Fund	\$ 11,287	\$ 3,600	\$ 241,319	\$ 11,988	\$ -	\$ 268,194
Nonmajor Gov. Funds	-	-	23,097	3,040	-	26,137
Internal Service Funds	-	-	-	-	14,116	14,116
Total - Gov. Activities	<u>\$ 11,287</u>	<u>\$ 3,600</u>	<u>\$ 264,416</u>	<u>\$ 15,028</u>	<u>\$ 14,116</u>	<u>\$ 308,447</u>

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

F. CAPITAL ASSET ACTIVITY

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

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Adjustments</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities:					
Land	\$ 127,945	\$ -	(\$ -)	\$ -	\$ 127,945
Buildings and Improvements	13,072,324	33,592	(-)	918,375	14,024,291
Furniture and Equipment	2,313,270	7,059	(30,000)	-	2,290,329
Construction in Progress	277,427	640,948	(-)	(918,375)	-
Totals at Historic Cost	<u>15,790,966</u>	<u>681,599</u>	<u>(30,000)</u>	<u>-</u>	<u>16,442,565</u>
Less Accumulated Depreciation					
for:					
Buildings and Improvements	(6,406,544)	(269,301)	-	-	(6,675,845)
Furniture and Equipment	(1,625,534)	(148,396)	30,000	-	(1,743,930)
Total Accumulated	<u>(8,032,078)</u>	<u>(417,697)</u>	<u>30,000</u>	<u>-</u>	<u>(8,419,775)</u>
Depreciation					
Governmental Activities Capital Assets, Net	<u>\$ 7,758,888</u>	<u>\$ 263,902</u>	<u>(\$ -)</u>	<u>\$ -</u>	<u>\$ 8,022,790</u>

The District's construction in progress project District wide roofing project was completed by June 30, 2021. The project was approved by the insurance company as a loss of all building roofs across the District due to sustaining a significant hailstorm. Final insurance proceeds is expected in the 2021-2022 school year.

The District approved to resurface and repair the track at the June 2021 board meeting. This project is expected to be completed in the 2021-2022 school year.

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 175,701
Instructional Resources and Media Services	811
School Leadership	1,017
Guidance, Counseling and Evaluation Services	811
Student (Pupil) Transportation	72,446
Food Services	24,061
Co-curricular/Extracurricular Activities	98,703
General Administration	409
Plant Maintenance and Operations	<u>43,738</u>
Total Depreciation Expense	<u>\$ 417,697</u>

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

G. BONDS AND LONG-TERM LIABILITIES

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in general long-term liabilities for the year ended June 30, 2021 is as follows:

<u>DESCRIPTION</u>	<u>Interest</u>	<u>Amounts</u>	<u>Interest</u>	<u>Payable</u>	<u>Issued</u>	<u>Accretion</u>	<u>Retirements</u>	<u>Outstanding</u>
	<u>Rate</u>	<u>Original</u>	<u>Current</u>	<u>Amounts</u>				
	<u>Payable</u>	<u>Issue</u>	<u>Year</u>	<u>7/1/20</u>	<u>/additions</u>			<u>6/30/21</u>
Unlimited Tax School Building and Refunding Bonds, Series 2016	2.00%- 4.00%	\$4,415,000	\$ 145,800	\$4,170,000	\$ -	\$ -	(\$ 190,000)	\$3,980,000
Total Bonds			\$ 145,800	\$4,170,000	\$ -	\$ -	(\$ 190,000)	\$3,980,000
Premium on Bonds				478,926			(29,933)	448,993
Total Long Term Debt				\$4,648,926	\$ -	\$ -	(\$ 219,933)	\$4,428,993
Other Long Term Liabilities								
Net Pension Liability				\$ 1,175,565	(\$ 19,544)		(\$ 82,688)	\$ 1,073,333
Net OPEB Liability				\$ 2,018,523	(\$ 415,137)		(\$ 31,430)	\$ 1,571,956

The current portion of long-term liabilities include \$190,000 for School Building and Refunding Bonds, Series 2016.

The Unlimited Tax School Building and Refunding Bonds, Series 2016 are comprised of \$4,415,000 of current interest bonds and \$55,000 of capital appreciation bonds (maturity of \$150,000). A portion of this issue was used to refund the balance of the serial bonds for the 2007 Series issue in the amount of \$1,250,000 in prior year. Additional proceeds advance refunded \$481,580 of capital appreciation bonds principal and accreted interest. The trust account assets and liabilities for the defeased bonds are not included in the District's financial statements.

The Other Long Term Liabilities reflected above relate to GASB68 accounting relative to TRS pension plan (Net Pension Liability) and GASB75 accounting relative to TRS-Care OPEB plan (Net OPEB Liability).

H. DEBT SERVICE REQUIREMENTS - BONDS

Debt service requirements for bonds are as follows:

<u>Year Ended</u>	<u>2016 Series Bond</u>	<u>2016 Series</u>	<u>Total</u>
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2022	\$ 190,000	\$ 141,050	\$ 331,050
2023	200,000	135,200	335,200
2024	205,000	129,125	334,125
2025	210,000	122,900	332,900
2026	215,000	116,525	331,525
2027-2031	1,205,000	454,650	1,659,650
2032-2036	1,435,000	212,100	1,647,100
2037	320,000	6,400	326,400
Total	\$ 3,980,000	\$ 1,317,950	\$ 5,297,950

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2021

I. COMMITMENTS UNDER OPERATING LEASES

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of June 30, 2021, as follows:

Year Ending <u>June 30</u>	
2022	<u>17,585</u>
Total Minimum Rentals	<u>\$ 17,585</u>
Rental Expenditures in Fiscal Year 2021	<u>\$ 21,276</u>

J. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

A State minimum personal leave program consisting of five days per year of personal leave, with no limit on accumulation and no restriction on transfer among districts, is provided for District employees. All employees who are eligible for State personal leave also earn an additional five workdays of local sick leave per year. Local sick leave is cumulative subject to continuous employment with the District. The District has not recorded a liability for accumulated sick leave since the amount is not considered material.

K. DEFINED BENEFIT PENSION PLAN

Plan Description. Era Independent School 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.

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

<u>Components of Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$218,974,205,084
Less: Plan Fiduciary Net Position	<u>(165,416,245,243)</u>
Net Pension Liability	<u>\$ 53,557,959,841</u>
Net Position as percentage of Total Pension Liability	75.54%

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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

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

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislatures to approve funding 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 payment or \$2,000, whichever was less.

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) on the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal year 2020 thru 2025. Contribution Rates can be found in the TRS 2020 ACFR, Note 11, on page 82.

	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2021</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
District's 2021 FY Employer Contributions	\$	91,588
District's 2021 FY Member Contributions	\$	248,169
2020 Measurement Year NECE On-Behalf Contributions	\$	197,835

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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 (including public 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 or a privately sponsored source, from non-educational and general, or local funds.

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

- All public schools, charters schools, and regional education service centers must contribute 1.5% of the member's salary beginning in fiscal year 2020, gradually increasing to 2.0% in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

The total pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions: Actuarial Assumptions can be found in the 2020 TRS ACFR, Note 11 Page 83.

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term Expected Rate	7.25%
Municipal Bond Rate as of August, 2020	2.33% - Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity index's "20-Year Municipal GO AA Index."
Last year ending August 31 in Projection Period (100 years)	2119
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc Post Employment Benefit Changes	None

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

Discount Rate. A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent.

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

The projection of cash flows used to determine the 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 legislative session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payment 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 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates range of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2020 (see page 53 of the TRSACFR) are summarized below:

Asset Class	Target Allocation¹ %	Long-Term Expected Geometric Real Rate of Return²	Expected Contribution to Long- Term Portfolio Returns
Global Equity			
USA	18.0 %	3.9 %	0.99 %
Non-U.S. Developed	13.0	5.1	0.92
Emerging Markets	9.0	5.6	0.83
Private Equity	14.0	6.7	1.41
Stable Value			
Government Bonds	16.0 %	(0.7)%	(0.05)%
Absolute Return (Including Credit Sensitive Investments)	—	1.8	—
Stable Value Hedge Funds	5.0	1.9	0.11
Real Return			
Real Estate	15.0 %	4.6 %	1.02 %
Energy, Natural Resources, and Infrastructure	6.0	6.0	0.42
Commodities	—	0.8	—
Risk Parity			
Risk Parity	8.0 %	3.0 %	0.30 %
Asset Allocation Leverage			
Cash	2.0 %	(1.5)%	(0.03)%
Asset Allocation Leverage	(6.0)	(1.3)	0.08
Inflation Expectation			2.00 %
Volatility Drag ³			(0.67)%
Expected Return	100.0 %		7.33 %
¹ Target allocations are based on the FY2020 policy model.			
² Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020).			
³ The volatility drag results from the conversion between arithmetic and geometric mean returns.			

Discount Rate Sensitivity Analysis. The following table presents the Net Pension Liability of the plan using the discount rate 7.25 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate. *The discount rate can be found in the 2020 TRS ACFR, Note 11, page 84.*

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

	<u>1% Decrease in Discount Rate (6.25%)</u>	<u>Current Single Discount Rate (7.25%)</u>	<u>1% Increase in Discount Rate (8.25%)</u>
District's proportionate share of the net pension liability:	\$ 1,655,060	\$ 1,073,333	\$ 600,692

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, Era Independent School District reported a liability of \$1,073,333 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to Era Independent School District. The amount recognized by Era Independent School 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 Era Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 1,073,333
State's proportionate share that is associated with the District	<u>2,568,009</u>
Total	<u>\$ 3,641,342</u>

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

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.0020040585% which was an increase (decrease) of (0.0002573779%) from its proportion measured as of August 31, 2019.

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

For the year ended June 30, 2021, Era Independent School District recognized pension expense of \$480,688 and revenue of \$308,875 for support provided by the State in the Government Wide Statement of Activities.

At June 30, 2021, Era Independent School 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: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experience	\$ 1,960	\$ 29,954
Changes in actuarial assumptions	249,051	105,895
Net Difference between projected and actual investment earnings	21,728	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>87,141</u>	<u>94,337</u>
Total as of August 31, 2020 measurement date	\$ 359,880	\$ 230,186
Contributions paid to TRS subsequent to the measurement date	<u>78,445</u>	<u>-</u>
Total as of fiscal year-end	<u>\$ 438,325</u>	<u>\$ 230,186</u>

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to pensions will be recognized by the district in pension expense as follows:

<u>Fiscal year ended June 30:</u>	<u>Pension Expense Amount</u>
2022	\$ 57,108
2023	\$ 52,775
2024	\$ 44,415
2025	\$ 6,760
2026	(\$ 25,820)
Thereafter	(\$ 5,544)

L. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description. The Era Independent School 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 TRS-Care program was established in 1986 by the Texas Legislature

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

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

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2020 are as follows:

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 40,010,833,815
Less: Plan fiduciary net position	(1,996,317,932)
Net OPEB liability	<u>\$ 38,014,515,883</u>
Net position as a percentage of total OPEB liability	4.99%

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

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

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

The premium rates for retirees are presented in the following table:

TRS-Care Monthly Premium Rates

	<u>Medicare</u>	<u>Non-Medicare</u>
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

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65 percent of pay. Section 1575.204 establishes a employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates

	<u>2020</u>	<u>2021</u>
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 2021 FY Employer Contributions	\$ 33,792	
District's 2021 FY Member Contributions	\$ 20,949	
2020 Measurement Year NECE On-Behalf Contributions	\$ 42,234	

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 to TRS-Care a monthly surcharge of \$535 per retiree.

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

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2019. Updated procedures were used to roll forward the Total OPEB liability to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions: *Actuarial Assumptions can be found in the 2020 TRS ACFR, Note 9 page 75.*

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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

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

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

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

Additional Actuarial Methods and Assumptions:

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

The initial medical trend rates were 9.00 percent for Medicare retirees and 7.30 percent for non-medicare retirees. There was an initial prescription drug trend rate of 9.00 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 13 years.

Discount Rate. A single discount rate of 2.33% was used to measure the Total OPEB liability. There was a decrease of .30 percent in the discount rate since the previous year. *The Discount Rate can be found in the 2020 TRS ACFR on page 76.* Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2020 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Sensitivity of the Net OPEB Liability:

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

	<u>1% Decrease in Discount Rate (1.33%)</u>	<u>Current Single Discount Rate (2.33%)</u>	<u>1% Increase in Discount Rate (3.33%)</u>
District's proportionate share of the Net OPEB Liability:	\$ 1,886,343	\$ 1,571,956	\$ 1,323,635

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2021, Era Independent School District reported a liability of \$1,571,956 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 Era Independent School District were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 1,571,956
State's proportionate share that is associated with the District	<u>2,112,332</u>
Total	<u>\$ 3,684,288</u>

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

At August 31, 2020 the employer's proportion of the collective Net OPEB Liability was 0.0041351462% compared to the 0.0042682838% as of August 31, 2019. This is an increase (decrease) of (0.0001331376%).

Healthcare Cost Trend Rates Sensitivity Analysis - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the Net OPEB Liability:	<u>\$ 1,284,086</u>	<u>\$ 1,571,956</u>	<u>\$ 1,955,357</u>

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: *These can be found in the TRS ACFR on page 76.*

- The discount rate changed from 2.63 percentage as of August 31, 2019 to 2.33 percentage as of August 31, 2020. This change increased the Total OPEB liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability.

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

- The ultimate health care trend assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB liability.

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

For the year ended June 30, 2021, Era Independent School District recognized OPEB expense of (\$54,388) and revenue of (\$14,667) for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 82,307	\$ 719,407
Changes in actuarial assumptions	96,957	431,667
Net Difference between projected and actual investment earnings	511	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>62,496</u>	<u>148,275</u>
Total as of August 31, 2020 measurement date	\$ 242,271	\$ 1,299,349
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	<u>28,725</u>	-
Total as of fiscal year end	<u>\$ 270,996</u>	<u>\$ 1,299,349</u>

The net amounts of the employer's balances of deferred outflows and of resources related to OPEB (not including the contributions subsequent to measurement date) will be recognized by the district in OPEB expense as follows:

Year ended June 30:	OPEB Expense Amount
2022	(\$ 174,394)
2023	(\$ 174,462)
2024	(\$ 174,501)
2025	(\$ 174,491)
2026	(\$ 132,503)
Thereafter	(\$ 226,727)

Medicare Part D. The Medicare Prescription Drug, Improvement and Modernization ACT of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended June 30, 2021, 2020 and 2019, the subsidy payments received by TRS-Care on-behalf of the District were \$15,138, \$13,054 and \$10,713, respectively. The information for the year ended June 30, 2021 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

M. HEALTH CARE COVERAGE - ACTIVE EMPLOYEES

Plan Description. The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS-Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. Authority for the plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The plan began operations on September 1, 2002. This is a premium-based plan. Payments are made on a monthly basis for all covered employees.

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

During the year ended June 30, 2021, the District paid premiums of \$225 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.

N. ON-BEHALF PAYMENTS

The District records on-behalf payments from the State of Texas to be used for Teacher Retirement in the amount of \$247,991.

O. COMMITMENTS AND CONTINGENCIES

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.

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

P. UNAVAILABLE REVENUE

Unavailable revenue at year end consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes	\$ 63,101	\$ 10,411	\$ -	\$ 73,512
Total Unavailable Revenue	\$ 63,101	\$ 10,411	\$ -	\$ 73,512

Q. DUE FROM STATE AGENCIES

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2021, are summarized below. All federal grants are passed through TEA and are reported on the combined financial statements as receivables from other Governments.

<u>Fund</u>	<u>State Entitlements</u>	<u>State Pass through Grants</u>	<u>Direct Federal Grants</u>	<u>Totals</u>
General Fund	\$ 1,143,173	\$ -	\$ -	\$ 1,143,173
Debt Service Fund	2,297	-	-	2,297
Nonmajor Governmental	-	50,000	117	50,117
Total	\$ 1,145,470	\$ 50,000	\$ 117	\$ 1,195,587

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

R. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General</u>	<u>Special</u>	<u>Debt</u>	<u>Internal</u>	<u>Private</u>	<u>Custodial</u>	<u>Total</u>
	<u>Fund</u>	<u>Revenue</u>	<u>Service</u>	<u>Service</u>	<u>Purpose</u>	<u>Funds</u>	
		<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>		
Property Taxes	\$ 1,933,546	\$ -	\$ 341,555	\$ -	\$ -	\$ -	\$2,275,101
Penalties, Interest and Other	23,175	-	4,028	-	-	-	27,203
Tax-related Income							
Investment Income	3,096	-	892	-	56	5	4,049
Rent	21,750	-	-	-	-	-	21,750
Donations	-	13,720	-	-	47,000	3,942	64,662
Insurance Recovery	645,244	-	-	-	-	-	645,244
Food Sales	-	102,498	-	-	-	-	102,498
Co-curricular Activities	30,560	-	-	-	-	-	30,560
Fundraising Activities	-	26,648	-	-	-	29,504	56,152
Other	70,064	151	-	1,702	-	-	71,917
Total	\$ 2,727,435	\$ 143,017	\$ 346,475	\$ 1,702	\$ 47,056	\$ 33,451	\$3,299,136

S. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS

The District participates in a Shared Services Arrangement (SSA) for Special Education services with six other districts. Although 13.782% of the activity of the shared services arrangement is attributable to the District's participation, 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, Cooke County Special Ed Co-op, 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 Era Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. The District contributed \$233,274 of local and state funds to the cooperative for the year ended June 30, 2021. Presented below are the revenues and expenditures attributable to the District's participation.

	<u>State & Local</u>	<u>Federal</u>
Revenues	\$233,274	\$ 83,749
Expenditures	\$310,183	\$ 83,749

T. SELF INSURANCE-WORKMEN'S COMPENSATION

The District participates in a self-insured Worker's Compensation Pool administered through a third party. The District provides fixed cost payments to the pool and accumulates reserves to cover the District's loss fund maximum amount each year. Fixed costs for the year ended June 30, 2021, were \$10,338 and the District's loss fund maximum was \$17,482.

The accrued liability for Worker's Compensation self-insurance of \$14,116 includes incurred but not reported claims of \$5,032. This liability reported in the fund at June 30, 2021, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been insured as of the date of the financial statements, and the amount of the loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing the liability does not result necessarily in an exact amount. The liability booked was the undiscounted estimate of the actuary at June 30, 2021. The District's ultimate liability is the sum of the District's loss fund as determined by actuary.

ERA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

U. SUBSEQUENT EVENTS

The District's management has evaluated the impact of all subsequent events on the District through financial statement issuance. As a result of the continued COVID-19 pandemic, economic uncertainties have arisen which could have a negative effect on operations. There continues to be considerable uncertainty around the duration surrounding this pandemic. Therefore, the potential impact is currently unknown. No other subsequent events have occurred that require recognition or disclosure in the financial statements.

At the June 2021 Board meeting, the Board approved the track resurface and repair project. This project is expected to be completed in 2021-2022 school year.

V. RELATED ORGANIZATIONS

The District has no material related organizations as defined by *Governmental Accounting Standards Board Statement Number 14*.

W. CHAPTER 313 AGREEMENT

In January, 2019 Era Independent School District and BT Cooke Solar, LLC (with the approval of the Texas Comptroller of Public Accounts) agreed to limitations on appraised value of property for school district maintenance and operations taxes for the purpose of renewable electric generation pursuant to the Chapter 313 of the Texas Tax Code. BT Cooke Solar, LLC qualified for the valuation limitation agreement by meeting a series of requirements related to capital investment, job creation, and wages. The application, the agreements, and state reporting requirement documentation can be viewed at the Texas Comptroller's website:

<https://www.comptroller.texas.gov/economy/local/ch313/agreements-docs.php>

Taxes shall be abated through a reduction of assessed value of approximately \$63,528,720 for fiscal years 2021 through 2027.

If BT Cooke Solar, LLC fails to comply with terms of the agreement, Era Independent School District shall be entitled to recapture all of the ad valorem tax revenue lost as a result of this agreement together with penalty and interest.

Other commitments of BT Cooke Solar, LLC and Era Independent School District are disclosed in the documentation at Era Independent School District or the Texas Comptroller's web site.

Era ISD received payments totaling \$75,000 in prior 2018-19 fiscal year as an advance payment to cover legal and consulting fees relating to this agreement. No additional payments or activity have been realized in 2019-20 or 2020-21 fiscal years relative to this agreement. This agreement has canceled and project ceased during current fiscal year.