

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2021

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

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Introductory Section

CERTIFICATE OF BOARD

Stephenville Independent School District
Name of School District

Erath
County

072-903
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) _____approved _____disapproved for the year ended August 31, 2021, at a meeting of the board of trustees of such school district on the ____ day of _____, _____.

Signature of Board Secretary

Signature of Board President

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

Financial Section



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Trustees
Stephenville Independent School District
2655 W. Overhill Drive
Stephenville, Texas 76401

Report on the Audit of the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Stephenville Independent School District as of August 31, 2021, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in Fiscal Year 2021, Stephenville Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stephenville Independent School District's basic financial statements. The introductory section and accompanying other supplementary information are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

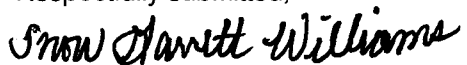
The other supplementary information, except for Exhibit J-5, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2022 on our consideration of Stephenville Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stephenville Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Snow Garrett Williams

Weatherford, TX
January 10, 2022

Management's Discussion and Analysis (Unaudited)

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

Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$18,449,549 (*net position*). Of this amount, (\$1,124,131) (*unrestricted net position*) may be used to meet the District's ongoing obligations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$32,965,966. Approximately 26% of this total amount, \$8,637,275, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,637,275, or 29% of the total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no *business-type activities* and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 12-13 of this report.

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

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 14-19 of this report.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position that can be found on pages 20-21.
- **Notes to the financial statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-46 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 47-53 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$18,449,549, as of August 31, 2021.

The District's Net Position

	<u>August 31, 2021</u>	<u>August 31, 2020</u>
Current assets	\$ 37,325,581	\$ 51,122,795
Capital assets	87,605,808	71,240,963
Long-term investments	<u>1,410,000</u>	<u>940,000</u>
Total assets	<u>126,341,389</u>	<u>123,303,758</u>
Deferred outflows of resources		
Deferred outflow related to pensions	3,095,390	3,822,798
Deferred outflow related to OPEB	<u>1,304,609</u>	<u>1,517,785</u>
Total deferred outflows of resources	<u>4,399,999</u>	<u>5,340,583</u>
Current liabilities	5,521,572	6,926,783
Long-term liabilities outstanding	<u>97,485,347</u>	<u>102,962,390</u>
total liabilities	<u>103,006,919</u>	<u>109,889,173</u>
Deferred inflows of resources		
Deferred gain on refunding bonds	229,238	243,565
Deferred inflow related to pensions	1,118,142	1,372,629
Deferred inflow related to OPEB	<u>7,937,539</u>	<u>5,667,753</u>
Total deferred inflows of resources	<u>9,284,919</u>	<u>7,283,947</u>
Net position:		
Net investment in capital assets	16,085,380	14,881,489
Restricted	3,488,300	2,579,980
Unrestricted	<u>(1,124,131)</u>	<u>(5,990,248)</u>
Total net position	<u>\$ 18,449,549</u>	<u>\$ 11,471,221</u>

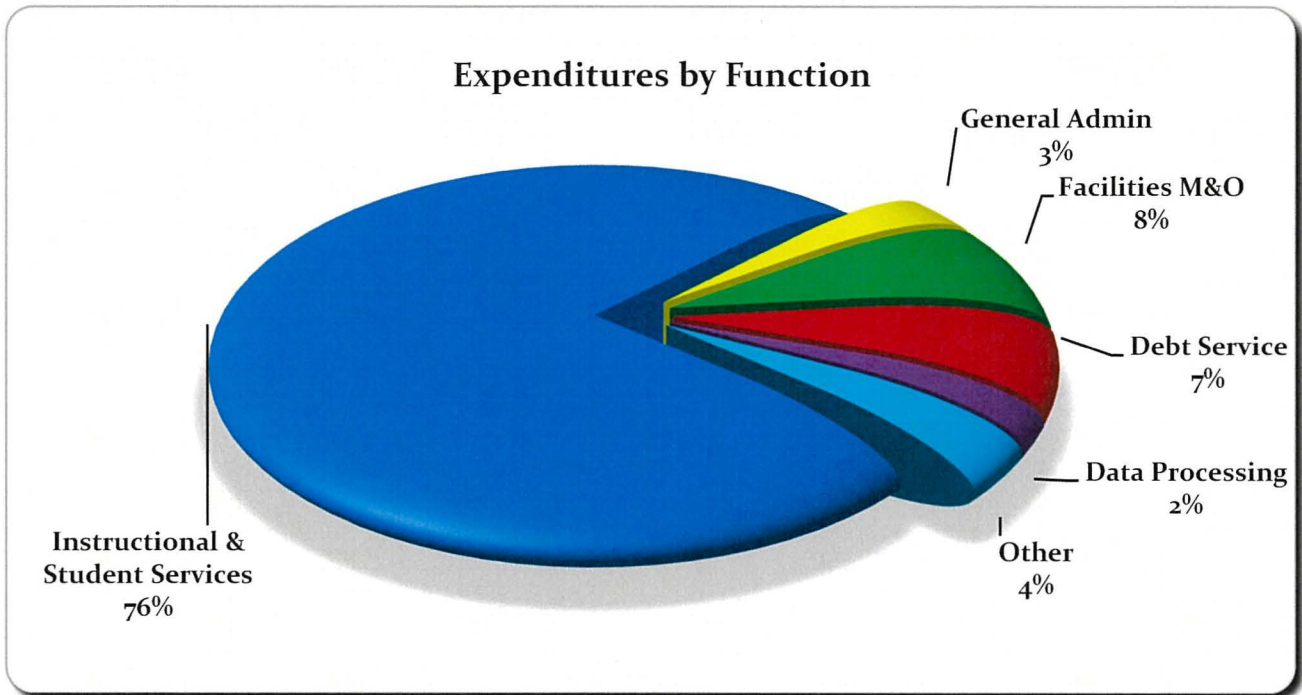
Net investment in capital assets (e.g., land, buildings, furniture and equipment, and construction in progress) is \$16,085,380. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt (net investment in capital assets), it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional \$3,488,300 of the District's net position represents resources that are subject to external restrictions on how they may be used.

The remaining balance of *unrestricted net position*, negative \$1,124,131, may be used to meet the District's ongoing obligations. This deficit is not an indication that the District has insignificant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are in excess of currently available resources.

Governmental activities. The District's total net position increased \$6,922,800. The total cost of all *governmental activities* this year was \$42,460,548. The amount that our taxpayers paid for these activities through property taxes was \$25,977,599 or 61%.

Changes in the District's Net Position

	Fiscal Year August 31, 2021	Fiscal Year August 31, 2020
Revenues:		
Program revenues		
Charges for services	\$ 757,542	\$ 727,342
Operating grants and contributions	9,102,746	7,192,020
General revenues		
Property taxes	25,977,599	24,079,685
State grants	12,954,751	12,950,166
Other	590,710	1,656,964
Total revenues	49,383,348	46,606,177
Expenses:		
Instruction	22,022,782	24,104,073
Instruction resources and media services	510,302	581,928
Curriculum and staff development	261,679	225,020
Instructional leadership	791,489	806,803
School leadership	1,799,426	1,940,634
Guidance, counseling & evaluation services	1,490,478	1,495,677
Health services	377,457	450,013
Student transportation	1,113,989	1,246,126
Food service	1,664,525	1,903,668
Cocurricular/extracurricular activities	2,382,459	2,348,082
General administration	1,218,684	1,169,110
Facilities maintenance and operations	3,403,115	3,159,039
Security and monitoring services	861,121	281,171
Data processing services	985,475	929,584
Community services	25,236	38,623
Interest on long-term debt	2,843,929	2,743,441
Bond issuance costs and fees	17,414	191,077
Capital Outlay	1,328	66,588
Payments related to shared service arrangements	70,519	57,937
Other intergovernmental charges	619,141	629,672
Total expenses	42,460,548	44,368,266
Increase (decrease) in net position	6,922,800	2,237,911
Beginning net position	11,471,221	9,233,310
Prior Period Adjustment	55,528	-
Restated Beginning Net Position	11,526,749	9,233,310
Ending net position	\$ 18,449,549	\$ 11,471,221



Financial Analysis of the District's Funds

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$32,965,966, a decrease of \$12,136,936. Approximately 26% of this total amount (\$8,637,275) constitutes *unassigned fund balance*. The remainder of fund balance is *restricted*, *committed*, or *assigned* to indicate that it is not available for new spending because it has already been *restricted* for (1) federal and state grant restrictions (\$308,985), (2) capital acquisitions (\$7,639,764), (3) retirement of long-term debt (\$1,688,441) and (4) other restrictions for Sinking Fund (\$1,410,000); *committed* for (1) construction (\$8,611,086) and (2) other commitments (\$2,558,392); and *assigned* for construction (\$2,045,740) and other assigned for local grants (\$66,283).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8,637,275, out of a total fund balance of \$18,348,361. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 29% of the total general fund expenditures, while total fund balance represents 62% of that same amount.

The fund balance of the District's general fund increased \$2,820,509 during the current fiscal year. Key factors in this increase are:

- \$1.9 million dollars of instructional payroll costs were reclassified to ESSER II federal funding.
- Intentional spending of federal funds rather than general operating dollars towards supplemental academic items (availability of two years of Title and IDEA B- Formula funds).
- Transportation fleet purchases were not made due to unavailability of supplies.

The debt service fund has a total fund balance of \$3,098,441, all of which is restricted for the payment of debt service. The net increase in fund balance during the period in the debt service fund was \$559,260.

The capital projects fund has a total fund balance of \$10,685,504, all of which is for capital acquisitions. The decrease in fund balance during the period in the capital projects fund was \$15,913,920, which was the effect of various capital project expenditures.

General Fund Budgetary Highlights

Over the course of the year, the District recommended and the Board approved several revisions to budgeted revenue and appropriations. These amendments were due to allow for unexpected occurrences and to better reflect the activities of the District. Budget revisions were primarily due to the:

- TEA’s implementation of four hold harmless attendance waivers throughout the school year
- Adjustments to the funding source of certain expenses in order to maximize the benefit of new state and federal dollars

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

- Actual revenues were higher than budgeted by \$215,070 primarily related to local and intermediate source revenues.
- Actual expenditures were lower than budgeted by \$2,918,136, primarily due to functions related to instruction, student transportation, and plant maintenance operations.

Capital Asset and Debt Administration,

Capital assets. The District’s investment in capital assets for its governmental activities as of August 31, 2021, amounts to \$87,605,808 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, and furniture and equipment.

Major capital asset events during the year included the installation of turf on Lem Brook Football field and the High School Baseball field, as well as the continued construction for the High School additions and renovations.

District’s Capital Assets
(net of depreciation)

	August 31, 2021	August 31, 2020
Land	\$ 567,436	\$ 567,436
Buildings and improvements	39,106,570	33,730,929
Furniture and equipment	1,446,368	1,721,574
Construction in progress	46,485,434	35,221,024
Totals at historical cost	\$ 87,605,808	\$ 71,240,963

Additional information on the District’s capital assets can be found in Note C on page 31 of this report.

Long-term debt. As of August 31, 2021, the District had total general obligation bonded debt outstanding of \$74,895,000, a decrease of \$2,460,000 over the prior year. Premium on bonds decreased \$326,450 from the prior year resulting in an ending balance of \$4,058,736. The District’s discount on bonds decreased \$2,071 from the prior year resulting in an ending balance of (\$22,782). Accumulated accretion increased \$15,612 resulting in an ending balance of \$488,175.

The net pension liability for fiscal year 2021 had an ending balance of \$8,345,900, an increase of \$211,950 from the prior year. And finally, the net OPEB liability for fiscal year 2021 had an ending balance of \$9,720,318, a decrease of \$2,920,226.

State statutes limit the amount of general obligation debt a government entity may issue up to 10% of its total assessed valuation. The current debt limitation for the District is \$208,927,510, which is significantly in excess of the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in Note E on pages 32-33 of this report.

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC Business ("S&P") has assigned a municipal bond rating of "AAA" to the Bonds based upon the Permanent School Fund Guarantee. S&P generally rates all bond issues guaranteed by the Permanent School Fund of the State of Texas "AAA".

The District's underlying rating for the Bonds (without consideration of the Permanent School Fund guarantee or other credit enhancement) is "AA-" by S&P.

Economic Factors and Next Year's Budgets and Rates

- For the 2021-2022 Fiscal year the Tax rate for Maintenance & Operations budget is set at \$0.9094 per \$100 valuation and the Interest and Sinking rate is \$0.2828 for a total tax rate of \$1.1922. This was a \$0.0299 decrease from the previous year.
- The District budgeted revenues of \$33,535,901 and expenditures of \$33,409,629 in the 2021-2022 budget.
- The District's taxable valuation has increased each of the last ten years and looks to be increasing by at least 7.85% for the 2022 value.
- There are promising plans for continued economic growth in Stephenville. Stephenville's Economic Development Authority (Stephenville EDA) recently was acknowledged for outstanding achievement in community economic development by the Texas Economic Development Council (TEDC). With Tarleton State University's reclassification to Division I and the continued growth of the Dallas Fort Worth metropolitan area, the overflowing economic impact is certainly positive for Erath County.
- The District's student attendance rate and average daily attendance (ADA) count has been negatively impacted by the global pandemic. Actual attendance rates were stable in prior years at approximately 95 percent. However, with the closure of schools statewide in spring of 2020, the effect of the fluctuation in viruses and strands, partnered with the mandated quarantine policies, the consequential impacts rolled forward into the 2020-2021 school year. Therefore, in our efforts in planning for the upcoming year, we will take these factors into consideration.
- TEA graciously enacted several Hold Harmless Attendance waivers for public school districts during this 2020-2021 school year, along with providing opportunities for school districts to have access to federal and state ESSER dollars through applications. Many of these funds are allocated to districts to use at their discretion through 2023-2024.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Stephenville Independent School District's Business Office.

Basic Financial Statements

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

AUGUST 31, 2021

1

Data Control Codes	Governmental Activities
ASSETS:	
1110 Cash and Cash Equivalents	\$ 18,680,315
1120 Current Investments	15,623,206
1225 Property Taxes Receivable (Net)	374,797
1240 Due from Other Governments	2,531,108
1290 Other Receivables (Net)	113,154
1300 Inventories	1,160
1410 Unrealized Expenses	1,841
Capital Assets:	
1510 Land	567,436
1520 Buildings and Improvements (Net)	39,106,570
1530 Furniture and Equipment (Net)	1,446,368
1580 Construction in Progress	46,485,434
1910 Long-Term Investments	1,410,000
1000 Total Assets	<u>126,341,389</u>
DEFERRED OUTFLOWS OF RESOURCES:	
	Deferred Outflow Related to Pensions 3,095,390
	Deferred Outflow Related to OPEB 1,304,609
1700 Total Deferred Outflows of Resources	<u>4,399,999</u>
LIABILITIES:	
2110 Accounts Payable	1,360,508
2140 Interest Payable	126,755
2165 Accrued Liabilities	3,848,948
2300 Unearned Revenue	185,362
Noncurrent Liabilities:	
2501 Due Within One Year	1,825,000
2502 Due in More Than One Year	77,594,129
2540 Net Pension Liability	8,345,900
2545 Net OPEB Liability	9,720,318
2000 Total Liabilities	<u>103,006,920</u>
DEFERRED INFLOWS OF RESOURCES:	
	Deferred Gain on Refunding 229,238
	Deferred Inflow Related to Pensions 1,118,142
	Deferred Inflow Related to OPEB 7,937,539
2600 Total Deferred Inflows of Resources	<u>9,284,919</u>
NET POSITION:	
3200 Net Investment in Capital Assets	16,085,380
Restricted For:	
3820 Federal and State Programs	308,985
3850 Debt Service	1,769,315
3890 Other Purposes - Sinking Fund	1,410,000
3900 Unrestricted	(1,124,131)
3000 Total Net Position	<u>\$ 18,449,549</u>

The accompanying notes are an integral part of this statement.

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	Instruction	\$ 22,022,782	\$ 145,506	\$ 5,346,315	\$ (16,530,961)	
12	Instructional Resources and Media Services	510,302	2,325	45,204	(462,773)	
13	Curriculum and Staff Development	261,679	678	118,272	(142,729)	
21	Instructional Leadership	791,489	2,498	61,184	(727,807)	
23	School Leadership	1,799,426	8,331	162,229	(1,628,866)	
31	Guidance, Counseling, and Evaluation Services	1,490,478	5,408	403,899	(1,081,171)	
33	Health Services	377,457	1,754	33,361	(342,342)	
34	Student Transportation	1,113,989	5,195	96,193	(1,012,601)	
35	Food Service	1,664,525	125,344	1,525,917	(13,264)	
36	Cocurricular/Extracurricular Activities	2,382,459	435,310	112,277	(1,834,872)	
41	General Administration	1,218,684	5,673	108,115	(1,104,896)	
51	Facilities Maintenance and Operations	3,403,115	16,156	277,392	(3,109,567)	
52	Security and Monitoring Services	861,121	2,221	601,337	(257,563)	
53	Data Processing Services	985,475	824	48,067	(936,584)	
61	Community Services	25,236	--	23,173	(2,063)	
72	Interest on Long-term Debt	2,843,929	--	127,003	(2,716,926)	
73	Bond Issuance Costs and Fees	17,414	--	--	(17,414)	
81	Capital Outlay	1,328	--	--	(1,328)	
93	Payments Related to Shared Services Arrangements	70,519	319	12,808	(57,392)	
99	Other Intergovernmental Charges	619,141	--	--	(619,141)	
TG	Total Governmental Activities	<u>42,460,548</u>	<u>757,542</u>	<u>9,102,746</u>	<u>(32,600,260)</u>	
TP	Total Primary Government	<u>\$ 42,460,548</u>	<u>\$ 757,542</u>	<u>\$ 9,102,746</u>	<u>(32,600,260)</u>	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				19,897,058	
DT	Property Taxes, Levied for Debt Service				6,080,541	
IE	Investment Earnings				157,658	
GC	Grants and Contributions Not Restricted to Specific Programs				12,954,751	
MI	Miscellaneous				433,052	
TR	Total General Revenues				<u>39,523,060</u>	
CN	Change in Net Position				6,922,800	
NB	Net Position - Beginning				11,471,221	
PA	Prior Period Adjustment				55,528	
	Net Position - Beginning, as Restated				11,526,749	
NE	Net Position - Ending				<u>\$ 18,449,549</u>	

The accompanying notes are an integral part of this statement.

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2021

Data Control Codes	10	General Fund	ESSER Fund II of the CRRSA Act
ASSETS:			
1110	<i>Cash and Cash Equivalents</i>	\$ 7,388,594	\$ --
1120	<i>Current Investments</i>	12,504,234	--
1225	<i>Taxes Receivable</i>	395,279	--
1230	<i>Allowance for Uncollectible Taxes (Credit)</i>	(101,356)	--
1240	<i>Due from Other Governments</i>	340,429	1,892,200
1260	<i>Due from Other Funds</i>	2,553,167	--
1290	<i>Other Receivables</i>	--	--
1300	<i>Inventories</i>	1,160	--
1410	<i>Unrealized Expenditures</i>	--	--
1910	<i>Long-Term Investments - Sinking Fund</i>	--	--
1000	Total Assets	<u>\$ 23,081,507</u>	<u>\$ 1,892,200</u>
LIABILITIES:			
Current Liabilities:			
2110	<i>Accounts Payable</i>	\$ 402,982	\$ --
2150	<i>Payroll Deductions and Withholdings</i>	208,110	--
2160	<i>Accrued Wages Payable</i>	1,355,871	--
2170	<i>Due to Other Funds</i>	2,282,308	1,892,200
2200	<i>Accrued Expenditures</i>	76,033	--
2300	<i>Unearned Revenue</i>	113,919	--
2000	Total Liabilities	<u>4,439,223</u>	<u>1,892,200</u>
DEFERRED INFLOWS OF RESOURCES:			
<i>Property Taxes</i>			
2600	Total Deferred Inflows of Resources	<u>293,923</u>	<u>--</u>
FUND BALANCES:			
Restricted Fund Balances:			
3450	<i>Federal/State Funds Grant Restrictions</i>	--	--
3470	<i>Capital Acquisitions and Contractual Obligations</i>	--	--
3480	<i>Retirement of Long-Term Debt</i>	--	--
3490	<i>Other Restrictions of Fund Balance - Sinking Fund</i>	--	--
Committed Fund Balances:			
3510	<i>Construction</i>	7,611,086	--
3545	<i>Other Committed Fund Balance</i>	2,100,000	--
Assigned Fund Balances:			
3550	<i>Construction</i>	--	--
3590	<i>Other Assigned Fund Balance - Local Grants</i>	--	--
3600	Unassigned	8,637,275	--
3000	Total Fund Balances	<u>18,348,361</u>	<u>--</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 23,081,507</u>	<u>\$ 1,892,200</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 437,749	\$ 9,544,637	\$ 1,309,335	\$ 18,680,315
1,118,733	2,000,239	--	15,623,206
98,942	--	--	494,221
(18,068)	--	--	(119,424)
18,805	--	279,674	2,531,108
--	2,082,145	200,164	4,835,476
113,154	--	--	113,154
--	--	--	1,160
--	--	1,841	1,841
1,410,000	--	--	1,410,000
<u>\$ 3,179,315</u>	<u>\$ 13,627,021</u>	<u>\$ 1,791,014</u>	<u>\$ 43,571,057</u>
\$ --	\$ 847,916	\$ 109,610	\$ 1,360,508
--	--	8,297	216,407
--	--	107,036	1,462,907
--	--	660,968	4,835,476
--	2,093,601	--	2,169,634
--	--	71,443	185,362
<u>--</u>	<u>2,941,517</u>	<u>957,354</u>	<u>10,230,294</u>
80,874	--	--	374,797
<u>80,874</u>	<u>--</u>	<u>--</u>	<u>374,797</u>
--	--	308,985	308,985
--	7,639,764	--	7,639,764
1,688,441	--	--	1,688,441
1,410,000	--	--	1,410,000
--	1,000,000	--	8,611,086
--	--	458,392	2,558,392
--	2,045,740	--	2,045,740
--	--	66,283	66,283
--	--	--	8,637,275
<u>3,098,441</u>	<u>10,685,504</u>	<u>833,660</u>	<u>32,965,966</u>
<u>\$ 3,179,315</u>	<u>\$ 13,627,021</u>	<u>\$ 1,791,014</u>	<u>\$ 43,571,057</u>

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

Total fund balances - governmental funds balance sheet	\$ 32,965,966
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	374,797
Capital assets used in governmental activities are not reported in the funds.	87,605,808
Deferred Resource Outflows related to the pension plan are not reported in the funds.	3,095,390
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	1,304,609
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(8,345,900)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(9,720,318)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(1,118,142)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(7,937,539)
Payables for bond principal which are not due in the current period are not reported in the funds.	(74,895,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(126,755)
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(488,175)
Premiums and discounts on bonds which are not due and payable in the current period are not reported in the funds.	(4,035,954)
Deferred gain on refunding bonds is not reported in the funds.	<u>(229,238)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 18,449,549</u>

The accompanying notes are an integral part of this statement.

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	10	General Fund	ESSER Fund II of the CRRSA Act
REVENUES:			
5700	Local and Intermediate Sources	\$ 20,372,209	\$ --
5800	State Program Revenues	14,599,589	--
5900	Federal Program Revenues	665,967	1,892,200
5020	Total Revenues	<u>35,637,765</u>	<u>1,892,200</u>
EXPENDITURES:			
Current:			
0011	Instruction	16,242,215	1,892,200
0012	Instructional Resources and Media Services	465,312	--
0013	Curriculum and Staff Development	133,138	--
0021	Instructional Leadership	720,223	--
0023	School Leadership	1,638,608	--
0031	Guidance, Counseling, and Evaluation Services	1,063,613	--
0033	Health Services	344,905	--
0034	Student Transportation	1,021,787	--
0035	Food Service	--	--
0036	Cocurricular/Extracurricular Activities	1,810,792	--
0041	General Administration	1,114,712	--
0051	Facilities Maintenance and Operations	3,176,989	--
0052	Security and Monitoring Services	286,277	--
0053	Data Processing Services	916,504	--
0061	Community Services	40	--
0071	Principal on Long-term Debt	--	--
0072	Interest on Long-term Debt	--	--
0073	Bond Issuance Costs and Fees	--	--
0081	Capital Outlay	--	--
0093	Payments to Shared Service Arrangements	63,000	--
0099	Other Intergovernmental Charges	619,141	--
6030	Total Expenditures	<u>29,617,256</u>	<u>1,892,200</u>
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	<u>6,020,509</u>	<u>--</u>
Other Financing Sources and (Uses):			
7915	Transfers In	--	--
8911	Transfers Out	(3,200,000)	--
7080	Total Other Financing Sources and (Uses)	<u>(3,200,000)</u>	<u>--</u>
1200	Net Change in Fund Balances	2,820,509	--
0100	Fund Balances - Beginning	15,588,515	--
1300	Prior Period Adjustment	(60,663)	--
	Fund Balances - Beginning, as Restated	15,527,852	--
3000	Fund Balances - Ending	<u>\$ 18,348,361</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 6,081,460	\$ 63,583	\$ 653,961	\$ 27,171,213
13,849	--	577,145	15,190,583
113,154	--	3,803,273	6,474,594
<u>6,208,463</u>	<u>63,583</u>	<u>5,034,379</u>	<u>48,836,390</u>
--	24,208	1,928,926	20,087,549
--	--	--	465,312
--	--	108,299	241,437
--	--	3,000	723,223
--	--	--	1,638,608
--	--	295,477	1,359,090
--	--	--	344,905
--	--	--	1,021,787
--	--	1,532,176	1,532,176
--	34,935	357,167	2,202,894
--	--	2,878	1,117,590
--	--	--	3,176,989
--	--	579,040	865,317
--	--	--	916,504
--	--	22,682	22,722
2,460,000	--	--	2,460,000
3,171,789	--	--	3,171,789
17,414	--	--	17,414
--	18,918,360	--	18,918,360
--	--	7,519	70,519
--	--	--	619,141
<u>5,649,203</u>	<u>18,977,503</u>	<u>4,837,164</u>	<u>60,973,326</u>
<u>559,260</u>	<u>(18,913,920)</u>	<u>197,215</u>	<u>(12,136,936)</u>
--	3,000,000	200,000	3,200,000
--	--	--	(3,200,000)
--	3,000,000	200,000	--
<u>559,260</u>	<u>(15,913,920)</u>	<u>397,215</u>	<u>(12,136,936)</u>
2,539,181	26,599,424	320,254	45,047,374
--	--	116,191	55,528
2,539,181	26,599,424	436,445	45,102,902
<u>\$ 3,098,441</u>	<u>\$ 10,685,504</u>	<u>\$ 833,660</u>	<u>\$ 32,965,966</u>

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

Net change in fund balances - total governmental funds \$ (12,136,936)

Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:

Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	154,638
Capital outlays are not reported as expenses in the SOA.	19,023,846
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,659,001)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows	
These pension contributions made after the measurement date of the plan increased ending net position.	673,324
Pension contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction to NPL.	(636,787)
Changes in the net pension liability and related deferred inflows and outflows are recognized in the government wide financials but are not reported in the fund financial statements. The effect of the change is a decrease in net position.	(721,408)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows.	
These OPEB contributions made after the measurement date of the plan increased net position.	192,924
OPEB contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in the net OPEB liability.	(194,171)
Changes in the net OPEB liability and related deferred inflows and outflows are recognized in the government wide financials but are not reported in the fund financial statements. The effect of the change is an increase in net position.	438,511
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	2,460,000
(Increase) decrease in accrued interest on bonds from beginning of period to end of period.	4,766
The accretion of interest on capital appreciation bonds is not reported in the funds.	(15,612)
Deferred gain on refunding bonds is amortized in the SOA but not in the funds.	14,327
Premiums & discounts on bonds are amortized in the SOA but not in the funds.	324,379
	<u>6,922,800</u>
Change in net position of governmental activities - Statement of Activities	\$ <u>6,922,800</u>

The accompanying notes are an integral part of this statement.

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2021

Data Control Codes	Custodial Funds
ASSETS:	
1110 <i>Cash and Cash Equivalents</i>	\$ 88,420
1290 <i>Other Receivables</i>	3,664
1800 <i>Restricted Assets</i>	<u>18,325</u>
1000 Total Assets	<u>110,409</u>
LIABILITIES:	
Current Liabilities:	
2110 <i>Accounts Payable</i>	<u>1,320</u>
2000 Total Liabilities	<u>1,320</u>
NET POSITION:	
3800 <i>Restricted for Other Purposes</i>	<u>109,089</u>
3000 Total Net Position	<u>\$ 109,089</u>

The accompanying notes are an integral part of this statement.

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

	Custodial Funds
ADDITIONS:	
Revenues from Student Activities	\$ 52,651
Gifts and Contributions	68,876
Investment Earnings	131
Total Additions	<u>121,658</u>
DEDUCTIONS:	
Payments for Student Activities	90,578
Scholarships Awarded	16,500
Miscellaneous Operating Expenses	76,561
Total Deductions	<u>183,639</u>
Change in Fiduciary Net Position	(61,981)
Net Position-Beginning of the Year	--
Prior Period Adjustment	171,070
Net Position - Beginning, As Restated	171,070
Net Position-End of the Year	<u>\$ 109,089</u>

The accompanying notes are an integral part of this statement.

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

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

ESSER II Fund: This fund is used to account for federal stimulus ESSER II funds granted to LEAs through the CRRSA Act to support an LEA's ability to operate, instruct its students, address learning loss, prepare schools for reopening, test, repair, and upgrade projects to improve air quality in school buildings during the coronavirus pandemic.

Debt Service Fund: This fund is used to account for all financial resources restricted, committed or assigned to expenditures for principal and interest.

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

Capital Projects Fund: This fund is used to account for all financial resources restricted, committed, or assigned to expenditures for the acquisition or construction of capital assets.

In addition, the District reports the following fund types:

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

3. Financial Statement Amounts

a. Property Taxes

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

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

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

b. Inventories and Prepaid Items

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

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

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings & Improvements	5-30
Furniture & Equipment	5-30

d. Deferred Outflows and Inflows of Resources

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

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

e. Receivable and Payable Balances

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

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

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

f. Interfund Activity

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

g. Use of Estimates

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

h. Data Control Codes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation. At August 31, 2021, the District had other committed fund balance of \$2,100,000 in the General Fund consisting of \$800,000 for technology upgrades, \$600,000 for transportation, and \$700,000 for instruction and accelerated learning. Additionally, the District had other committed fund balance of \$458,392 in a special revenue fund for campus activity.

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

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

j. Net Position Flow Assumption

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

k. Fund Balance Flow Assumptions

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

4. Pensions

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

5. Other Post-Employment Benefits

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

6. Implementation of New Standards

GASB Statement No. 84, Fiduciary Activities

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

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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B. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2021, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$18,789,597 and the bank balance was \$19,094,032. The District's cash deposits at August 31, 2021 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

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

The District's investments at August 31, 2021 consisted of state and municipal bonds, local government investment pools and federal agency bonds and U.S. Treasury Notes. Cash equivalent accounts are covered by FDIC and pledged collateral by the bank and are included in the balance in Note B-1. The District's investments at August 31, 2021 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
TD Ameritrade		
Cash Equivalents	N/A	\$ 20,863
Municipal/State Bonds	<2 years	3,837,926
Federal Agency Bonds	<2 years	1,047,536
U.S. Treasury Notes	<2 years	1,348,646
TexPool - LGIP	Wtd Avg = 30 days	9,305,855
TexasTERM (TexasDAILY)- LGIP	Wtd Avg = 53 days	62,380
Total Investments		<u>\$ 15,623,206</u>

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT
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3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At August 31, 2021, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

TD Ameritrade	
Cash Equivalents	Not Rated
Municipal/State Bonds	A+ - AAA
TexPool- LGIP	AAAm
TexasTERM (TexasDAILY) - LGIP	AAAm

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was exposed to interest rate risk for the investments in municipal/state bonds and federal agency bonds described in Note B-2. The District's investment advisors used the simulation model to calculate the interest rate risk for the bonds noting that due to the short maturity of all the bonds (less than 2 years) the interest rate risk would be minimal and the affect on the investment values would be insignificant.

e. Foreign Currency Risk

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

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT
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Investment Accounting Policy

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

The District reports its local government investment pools at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. In addition, The pools do not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity fees or redemption gates.

Public Funds Investment Pools

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

TexPool

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's. TexPool uses amortized cost to value portfolio assets and follows the criteria established by GASB 79 for use of amortized cost. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

TexasTERM

The Texas Term Local Government Investment Pool (TexasTERM) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexasTERM is administered by PFM Asset Management LLC, which also serves as the investment advisor. The reported value of the pool is the same as the fair value of the pool shares. Investment options include TexasDAILY, a money market portfolio, is rated AAAM by Standard & Poor's, and TexasTERM CD Purchase Program, a fixed rate, fixed-term investment option enabling investors to invest in FDIC insured CD's from banks throughout the United States.

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT
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FOR THE YEAR ENDED AUGUST 31, 2021

TD Ameritrade

The District's investments with TD Ameritrade consists of cash equivalents, municipal/state bonds, and federal agency bonds. Municipal/State bonds, and federal agency bonds are categorized as Level 2 for the fair value hierarchy. The fair value obtained via a pricing method used by Bloomberg Professional Services whereby bonds with similar credit qualities, coupons, maturities, state locations, etc are used to obtain a value for the portfolio bonds, as many of the bonds do not trade on a regular basis.

Fair Value Measurements

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

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

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

Investments' fair value measurements are as follows at August 31, 2021:

Investments	Fair Value Measurement Using			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
TD Ameritrade				
Municipal/State Bonds	\$ 3,837,926	\$ --	\$ 3,837,926	\$ --
Federal Agency Bonds	1,047,536	--	1,047,536	--
U.S. Treasury Notes	1,348,646	--	1,348,646	--
Total:	<u>\$ 6,234,108</u>	<u>\$ --</u>	<u>\$ 6,234,108</u>	<u>\$ --</u>

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

C. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 567,436	\$ --	\$ --	\$ 567,436
Construction in progress	35,221,024	18,789,320	7,524,910	46,485,434
Total capital assets not being depreciated	<u>35,788,460</u>	<u>18,789,320</u>	<u>7,524,910</u>	<u>47,052,870</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	67,952,779	7,665,867	--	75,618,646
Furniture & Equipment	6,504,104	93,569	--	6,597,673
Total capital assets being depreciated	<u>74,456,883</u>	<u>7,759,436</u>	<u>--</u>	<u>82,216,319</u>
Less accumulated depreciation for:				
Buildings and improvements	(34,221,850)	(2,290,226)	--	(36,512,076)
Furniture & Equipment	(4,782,530)	(368,775)	--	(5,151,305)
Total accumulated depreciation	<u>(39,004,380)</u>	<u>(2,659,001)</u>	<u>--</u>	<u>(41,663,381)</u>
Total capital assets being depreciated, net	<u>35,452,503</u>	<u>5,100,435</u>	<u>--</u>	<u>40,552,938</u>
Governmental activities capital assets, net	<u>\$ 71,240,963</u>	<u>\$ 23,889,755</u>	<u>\$ 7,524,910</u>	<u>\$ 87,605,808</u>

Depreciation was charged to functions as follows:

Instruction	\$ 1,506,241
Instructional Resources and Media Services	34,607
Curriculum and Staff Development	17,957
Instructional Leadership	53,789
School Leadership	121,870
Guidance, Counseling, & Evaluation Services	101,081
Health Services	25,652
Student Transportation	75,994
Food Services	115,227
Extracurricular Activities	152,967
General Administration	83,120
Plant Maintenance and Operations	236,285
Security and Monitoring Services	64,357
Data Processing Services	68,164
Community Services	1,690
	<u>\$ 2,659,001</u>

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT
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D. Interfund Balances and Activities

1. Due To and From Other Funds

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

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Nonmajor Governmental Funds	\$ 660,967	Short-term loan until grant revenue is received for reimbursable expenditures
General Fund	ESSER II	\$ 1,892,200	Short-term loan until grant revenue is received for reimbursable expenditures
Capital Projects Fund	General Fund	2,082,145	Short term loans
Other Governmental Funds	General Fund	200,164	Short term loans
	Total	<u>\$ 4,835,476</u>	

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

2. Transfers To and From Other Funds

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

Transfers From	Transfers To	Amount	Reason
General Fund	Nonmajor Governmental Fund	\$ 200,000	Supplement Food Service Fund
General Fund	Capital Projects Fund	3,000,000	To fund current construction
	Total	<u>\$ 3,200,000</u>	

E. Long-Term Obligations

1. Long-Term Obligation Activity

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 77,355,000	\$ --	\$ 2,460,000	\$ 74,895,000	\$ 1,825,000
Accum Accretion on CABs	472,563	15,612	--	488,175	--
Discount on Bonds Issuance	(24,853)	--	(2,071)	(22,782)	--
Premium on Bonds Issuance	4,385,186	--	326,450	4,058,736	--
Net Pension Liability *	8,133,950	854,906	642,956	8,345,900	--
Net OPEB liability *	12,640,544	--	2,920,226	9,720,318	--
Total governmental activities	<u>\$ 102,962,390</u>	<u>\$ 870,518</u>	<u>\$ 6,347,561</u>	<u>\$ 97,485,347</u>	<u>\$ 1,825,000</u>

* Other long-term liabilities

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

Liability	Activity Type	Fund
Net Pension Liability *	Governmental	General Fund
Net OPEB Liability*	Governmental	General Fund

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT
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General Obligation Bonds- Description	Interest Rate	Maturity	Amount of Original Issue	Amount Outstanding 8/31/2021
2012-A Unlimited Tax Qualified School Construction Bonds	3.65%	2/15/2032	\$ 6,575,000	\$ 6,575,000
2012-B Unlimited Tax School Building Bonds	4%	2/15/2037	15,935,000	520,000
2018 Unlimited Tax School Building Bonds	4% to 5%	2/15/2042	57,765,000	54,190,000
2020 Unlimited Tax Refunding Bonds	1.922% to 5%	2/15/2037	13,975,000	13,610,000
				<u>\$ 74,895,000</u>

2. Debt Service Requirements

Debt service requirements on bonds at 2021, Stephenville Independent School District, are as follows:

Year Ending August 31	Governmental Activities		
	Principal	Interest	Total
2022	\$ 1,825,000	\$ 2,872,362	\$ 4,697,362
2023	1,775,000	3,024,212	4,799,212
2024	1,925,000	3,008,838	4,933,838
2025	2,310,000	2,620,838	4,930,838
2026	2,430,000	2,502,338	4,932,338
2027-2031	14,065,000	10,609,736	24,674,736
2032-2036	25,720,000	6,396,578	32,116,578
2037-2041	24,020,000	2,565,291	26,585,291
2042-2046	825,000	16,500	841,500
Totals	<u>\$ 74,895,000</u>	<u>\$ 33,616,693</u>	<u>\$ 108,511,693</u>

The District has covenanted to make mandatory deposits into the Cumulative Sinking Fund Deposit Account held by the Paying Agent/Registrar for the Qualified School Construction Bonds, Series 2012-A. The Sinking Fund calls for annual payments of \$470,000 for 2019-2031 and \$465,000 for the final payment in 2032. Amounts paid to the fund are accounted for in Long-Term Investments and Other Restricted Fund Balance as required by the TEA Financial Accountability System of Resource Guide (FASRG).

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

F. Commitments Under Noncapitalized Leases

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

<u>Year Ending August 31</u>	
2022	\$ 38,400
2023	38,400
2024	38,400
2025	38,400
Total Minimum Rentals	<u>\$ 153,600</u>
Rental Expenditures in 2021	<u>\$ 42,135</u>

G. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended August 31, 2021, the District carried insurance through various plans described below. There were no significant reductions in any coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three years.

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT
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Property Casualty Program

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2021, the District participated in the Texas Association of School Boards Risk Management Fund (the Fund) with coverage in Auto Liability, Auto Physical Damage, General Liability, Property, and Legal Liability. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three years.

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2021 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Workers' Compensation

The District has established a partially self-funded workers' compensation plan by participating in the Texas Educational Insurance Association (the "Association"). The Association is a public entity risk pool currently operating as a common risk management and insurance program for member colleges and school districts. The main purpose of the Association is to partially self-insure certain workers compensation risks up to an agreed upon retention limit. The plan for worker's compensation benefits is authorized by Section 504.011 of the Labor Code. Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. The liability of the workers' compensation self-insurance plan includes \$49,577 incurred but not reported claims. Estimates of claims payable and of claims incurred but not reported at August 31, 2021, are reflected as accounts and claims, if material. The plan is funded to discharge liabilities of the fund as they become due.

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

	Year Ended 8/31/2021	Year Ended 8/31/2020
Unpaid claims, beginning of year	\$ 145,196	\$ 140,129
Incurred claims	(52,032)	81,769
Claim payments	(17,132)	(76,702)
Unpaid claims, end of fiscal year	<u>\$ 76,032</u>	<u>\$ 145,196</u>

Unemployment Compensation

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

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2021, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

H. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

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

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1) above.

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

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

4. Contributions

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

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

	<u>Contribution Rates</u>	
	2020	2021
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
District's 2021 Employer Contributions	\$ 673,324	
District's 2021 Member Contributions	\$ 1,688,044	
2020 NECE On-Behalf Contributions (State)	\$ 1,301,337	

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the State contribution rate for certain instructional or administrative employees; and 100% of the State contribution rate for all other employees.

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

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

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

5. Actuarial Assumptions

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

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

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

6. Discount Rate

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

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

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

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

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
District's proportionate share of the net pension liability:	\$ 12,869,228	\$ 8,345,900	\$ 4,670,795

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

At August 31, 2021, the District reported a liability of \$8,345,900 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 8,345,900
State's proportionate share that is associated with District	<u>16,892,056</u>
Total	<u>\$ 25,237,956</u>

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

At August 31, 2020 the employer's proportion of the collective net pension liability was .015583% which was a decrease of .000064% from its proportion measured as of August 31, 2019.

9. Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2021, the District recognized pension expense of \$3,389,934 which includes revenue of \$2,031,739 representing pension expense incurred by the State on behalf of the District.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 15,239	\$ 232,912
Changes in actuarial assumptions	1,936,546	823,406
Difference between projected and actual investment earnings	168,956	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	301,325	61,824
Contributions paid to TRS subsequent to the measurement date	673,324	--
Total	\$ 3,095,390	\$ 1,118,142

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

Year ended August 31	Pension Expense Amount
2022	\$ 379,905
2023	\$ 458,646
2024	\$ 432,228
2025	\$ 124,995
2026	\$ (88,629)
Thereafter	\$ (3,221)

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

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

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

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

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

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

4. Contributions

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

Section 1575.202 of the Texas Insurance Code establishes the State's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public or charter school. The actual public school 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.

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NOTES TO THE FINANCIAL STATEMENTS
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Contribution Rates		
	2020	2021
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding *	1.25%	1.25%
Total		
* Contributions paid from federal funds and private grants are remitted by the employer and paid at the State rate.		

District's 2021 Employer Contributions	\$	192,924
District's 2021 Member Contributions	\$	142,495
2020 NECE On-Behalf Contributions (State)	\$	261,156

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

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

5. Actuarial Assumptions

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

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

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

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

The active mortality rates were based on 90 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).

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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The initial medical trend rates were 9.0% for Medicare retirees and 7.3% for non-Medicare retirees. There was an initial prescription drug trend rate of 9.0% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.

Additional Actuarial Methods and Assumptions:

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

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

6. Discount Rate

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

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.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District's proportionate share of net OPEB liability	\$ 11,664,360	\$ 9,720,318	\$ 8,184,805

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

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

At August 31, 2021, the District reported a liability of \$9,720,318 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$	9,720,318
State's proportionate share that is associated with the District		<u>13,061,778</u>
Total		<u>\$ 22,782,096</u>

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

At August 31, 2020 the District's proportion of the collective net OPEB liability was .025570% which was a decrease of .001159% from its proportion measured as of August 31, 2019.

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

	1% Decrease in Healthcare Trend (7.5%) Rate	Current Single Healthcare Trend (8.5%) Rate	1% Increase in Healthcare Trend (9.5%) Rate
District's proportionate share of net OPEB liability	\$ 7,940,255	\$ 9,720,318	\$ 12,091,112

9. Changes Since the Prior Actuarial Valuation

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

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

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

The amount of OPEB expense recognized by the District in the reporting period was (\$335,036) which includes revenue of (\$90,696) representing OPEB expense incurred by the State on behalf of the District.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 508,952	\$ 4,448,515
Changes in actuarial assumptions	599,542	2,669,250
Differences between projected and actual investment earnings	3,159	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	32	819,774
Contributions paid to TRS subsequent to the measurement date	192,924	--
Total	\$ 1,304,609	\$ 7,937,539

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

Year ended August 31	OPEB Expense Amount
2022	\$ (1,108,509)
2023	\$ (1,108,931)
2024	\$ (1,109,173)
2025	\$ (1,109,107)
2026	\$ (849,478)
Thereafter	\$ (1,540,656)

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2021, the subsidy payment received by TRS-Care on behalf of the District was \$104,898.

J. Employee Health Care Coverage

During the year ended August 31, 2021, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$250 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

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

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

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

K. Commitments and Contingencies

1. Commitments

The District entered into construction commitments during fiscal year 2019 with remaining costs to complete totaling \$7,206,408 which will be funded from the 2018 Building Bond (Capital Projects Fund). The District was not obligated at August 31, 2021 for the construction commitments.

Project	Amount
High School Expansion and Renovations	\$ <u>7,206,408</u>
	\$ <u>7,206,408</u>

2. Contingencies

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

3. Litigation

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

L. Shared Services Arrangements

Shared Services Arrangement - Membership

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

<u>Member Districts</u>	
Palo Pinto Co-Op	Greater Erath County SSA
Parker County Co-Op	Granbury ISD
Springtown ISD	Hood-Somervell County Co-Op
Stephenville ISD	Central Texas SSA
Weatherford ISD	

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

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

M. Prior Period Adjustments

During the fiscal year 2021, the District implemented GASB Statement No. 84, *Fiduciary Activities*. As a result, the beginning net position of the District's fiduciary funds have been restated as follows:

	Governmental General Fund	Nonmajor Governmental Funds	Custodial Funds	Private Purpose Trust Fund
Beginning fund balance/net position	\$ 15,588,515	\$ 320,254	\$ --	\$ 30,620
Reclassification from a private purpose trust fund to a custodial fund	--	--	30,620	(30,620)
Reclassification from the General fund to a custodial fund	(60,663)	--	60,663	
Reclassification of due to student groups liability to fiduciary net position	--	--	195,978	--
Reclassification of groups moved from a custodial fund to a special revenue fund	--	116,191	(116,191)	--
Beginning fund balance/net position, as restated	<u>\$ 15,527,852</u>	<u>\$ 436,445</u>	<u>\$ 171,070</u>	<u>\$ --</u>

N. Subsequent Events

The District evaluated subsequent events through January 10, 2022, the date the financial statements were available to be issued, and no subsequent events were noted.

Required Supplementary Information

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

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT G-1

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Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
REVENUES:					
5700	Local and Intermediate Sources	\$ 19,469,142	\$ 20,215,850	\$ 20,372,209	\$ 156,359
5800	State Program Revenues	17,114,384	14,554,844	14,599,589	44,745
5900	Federal Program Revenues	366,700	652,000	665,967	13,967
5020	Total Revenues	<u>36,950,226</u>	<u>35,422,694</u>	<u>35,637,765</u>	<u>215,071</u>
EXPENDITURES:					
Current:					
Instruction and Instructional Related Services:					
0011	Instruction	20,846,461	18,201,319	16,242,215	1,959,104
0012	Instructional Resources and Media Services	499,716	467,716	465,312	2,404
0013	Curriculum and Staff Development	208,868	180,868	133,138	47,730
	Total Instruction and Instr. Related Services	<u>21,555,045</u>	<u>18,849,903</u>	<u>16,840,665</u>	<u>2,009,238</u>
Instructional and School Leadership:					
0021	Instructional Leadership	830,908	750,908	720,223	30,685
0023	School Leadership	1,736,010	1,642,510	1,638,608	3,902
	Total Instructional and School Leadership	<u>2,566,918</u>	<u>2,393,418</u>	<u>2,358,831</u>	<u>34,587</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	1,159,281	1,124,706	1,063,613	61,093
0033	Health Services	360,007	350,007	344,905	5,102
0034	Student (Pupil) Transportation	1,452,204	1,274,204	1,021,787	252,417
0036	Cocurricular/Extracurricular Activities	2,022,161	1,850,161	1,810,792	39,369
	Total Support Services - Student (Pupil)	<u>4,993,653</u>	<u>4,599,078</u>	<u>4,241,097</u>	<u>357,981</u>
Administrative Support Services:					
0041	General Administration	1,515,426	1,251,026	1,114,712	136,314
	Total Administrative Support Services	<u>1,515,426</u>	<u>1,251,026</u>	<u>1,114,712</u>	<u>136,314</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	3,739,785	3,491,785	3,176,989	314,796
0052	Security and Monitoring Services	358,384	310,384	286,277	24,107
0053	Data Processing Services	960,298	920,298	916,504	3,794
	Total Support Services - Nonstudent Based	<u>5,058,467</u>	<u>4,722,467</u>	<u>4,379,770</u>	<u>342,697</u>
Ancillary Services:					
0061	Community Services	1,716	1,000	40	960
	Total Ancillary Services	<u>1,716</u>	<u>1,000</u>	<u>40</u>	<u>960</u>
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	71,240	68,500	63,000	5,500
0099	Other Intergovernmental Charges	702,000	650,000	619,141	30,859
	Total Intergovernmental Charges	<u>773,240</u>	<u>718,500</u>	<u>682,141</u>	<u>36,359</u>
6030	Total Expenditures	<u>36,464,465</u>	<u>32,535,392</u>	<u>29,617,256</u>	<u>2,918,136</u>

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>485,761</u>	<u>2,887,302</u>	<u>6,020,509</u>	<u>3,133,207</u>
Other Financing Sources (Uses):				
8911 Transfers Out	<u>--</u>	<u>(2,200,000)</u>	<u>(3,200,000)</u>	<u>(1,000,000)</u>
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>(2,200,000)</u>	<u>(3,200,000)</u>	<u>(1,000,000)</u>
1200 Net Change in Fund Balance	<u>485,761</u>	<u>687,302</u>	<u>2,820,509</u>	<u>2,133,207</u>
0100 Fund Balance - Beginning	15,588,515	15,588,515	15,588,515	--
1300 Prior Period Adjustment	(60,663)	(60,663)	(60,663)	--
0100 Fund Balance - Beginning, as Restated	15,527,852	15,527,852	15,527,852	--
3000 Fund Balance - Ending	<u>\$ 16,013,613</u>	<u>\$ 16,215,154</u>	<u>\$ 18,348,361</u>	<u>\$ 2,133,207</u>

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT

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

	Measurement Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the net pension liability (asset)	0.016%	0.016%	0.016%	0.016%	0.015%	0.016%	0.010%	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 8,345,900	\$ 8,133,950	8,694,219	\$ 5,015,864	\$ 5,669,930	\$ 5,543,378	\$ 2,778,598	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the District	16,892,056	14,965,234	16,476,093	9,866,332	12,032,301	11,888,438	10,354,574	--	--	--
Total	\$ 25,237,956	\$ 23,099,184	25,170,312	\$ 14,882,196	\$ 17,702,231	\$ 17,431,816	\$ 13,133,172	\$ --	\$ --	\$ --
District's covered payroll	\$ 21,909,301	\$ 19,950,679	19,723,222	\$ 19,298,959	\$ 18,755,282	\$ 18,604,207	\$ 18,032,412	\$ --	\$ --	\$ --
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	38.09%	40.77%	44.08%	25.99%	30.23%	29.80%	15.41%	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%	--	--	--

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

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

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 673,324	\$ 636,787	547,483	\$ 531,386	\$ 517,079	\$ 476,727	\$ 464,352	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(673,324)	(636,787)	(547,483)	(531,386)	(517,079)	(476,727)	(464,352)	--	--	--
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>--</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered payroll	\$ 21,922,608	\$ 21,909,301	19,950,679	\$ 19,723,222	\$ 19,298,959	\$ 18,755,282	\$ 18,604,207	\$ --	\$ --	\$ --
Contributions as a percentage of covered payroll	3.07%	2.91%	2.74%	2.69%	2.68%	2.54%	2.50%	--	--	--

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

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT

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

	Measurement Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the collective net OPEB liability	0.026%	0.027%	0.027%	0.027%	--	--	--	--	--	--
District's proportionate share of the collective net OPEB liability	\$ 9,720,318	\$ 12,640,544	13,380,639	\$ 11,798,892	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State proportionate share of the collective net OPEB liability associated with the District	13,061,778	16,796,456	16,776,411	15,002,093	--	--	--	--	--	--
Total	<u>\$ 22,782,096</u>	<u>\$ 29,437,000</u>	<u>30,157,050</u>	<u>\$ 26,800,985</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered payroll	\$ 21,909,301	\$ 19,950,679	19,723,222	\$ 19,298,959	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	44.37%	63.36%	67.84%	61.14%	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	4.99%	2.66%	1.57%	0.91%	--	--	--	--	--	--

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

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS

TEACHER RETIREMENT SYSTEM OF TEXAS

*LAST TEN FISCAL YEARS **

	Fiscal Year									
	2021	2020	2019	2018	2016	2015	2014	2013	2012	2011
Statutorily or contractually required District contribution	\$ 192,924	\$ 194,171	191,176	\$ 183,932	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(192,924)	(194,171)	(191,176)	(183,932)	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	--	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 21,922,608	\$ 21,909,301	19,950,679	\$ 19,723,222	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered payroll	0.88%	0.89%	0.96%	0.93%	--	--	--	--	--	--

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

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED AUGUST 31, 2021

Budget

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

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

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

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

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

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

Defined Benefit Pension Plan and Defined Benefit OPEB Plan

Changes of benefit terms

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

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

Changes of assumptions

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

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

Other Supplementary Information

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

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2021*

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2012 and Prior Years	\$ Various	\$ Various	\$ Various
2013	1.0400	.1540	1,364,613,820
2014	1.0400	.1770	1,298,513,033
2015	1.0400	.1949	1,427,874,970
2016	1.1700	.0649	1,458,829,633
2017	1.1700	.0649	1,493,982,185
2018	1.1700	.0649	1,669,010,958
2019	1.0600	.2829	1,758,395,865
2020	.9900	.0283	1,880,101,299
2021 (School Year Under Audit)	.9392	.2829	2,089,275,100

1000 Totals

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

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

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

10 Beginning Balance 9/1/20	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/21
\$ 96,516	\$ --	\$ 6,230	\$ 761	\$ (51,669)	\$ 37,856
10,464	--	1,458	216	(114)	8,676
10,073	--	80	14	(1,934)	8,045
15,062	--	(3,181)	(596)	(5,610)	13,229
23,114	--	(2,341)	(130)	(6,518)	19,067
15,147	--	1,754	97	(2,437)	10,859
18,804	--	(34,893)	(1,936)	(42,817)	12,816
32,373	--	(13,872)	(3,702)	(31,860)	18,087
153,987	--	346,918	99,134	327,301	35,236
--	25,533,031	19,368,588	5,834,093	--	330,350
<u>\$ 375,540</u>	<u>\$ 25,533,031</u>	<u>\$ 19,670,741</u>	<u>\$ 5,927,951</u>	<u>\$ 184,342</u>	<u>\$ 494,221</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT J-2

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 118,315	\$ 125,660	\$ 7,345
5800 <i>State Program Revenues</i>	15,500	17,929	2,429
5900 <i>Federal Program Revenues</i>	1,448,272	1,497,474	49,202
5020 Total Revenues	<u>1,582,087</u>	<u>1,641,063</u>	<u>58,976</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	1,580,001	1,532,176	47,825
Total Support Services - Student (Pupil)	<u>1,580,001</u>	<u>1,532,176</u>	<u>47,825</u>
6030 Total Expenditures	<u>1,580,001</u>	<u>1,532,176</u>	<u>47,825</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>2,086</u>	<u>108,887</u>	<u>106,801</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	--	200,000	200,000
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>200,000</u>	<u>200,000</u>
1200 Net Change in Fund Balance	<u>2,086</u>	<u>308,887</u>	<u>306,801</u>
0100 Fund Balance - Beginning	--	--	--
3000 Fund Balance - Ending	<u>\$ 2,086</u>	<u>\$ 308,887</u>	<u>\$ 306,801</u>

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 6,033,500	\$ 6,081,460	\$ 47,960
5800 <i>State Program Revenues</i>	10,000	13,849	3,849
5900 <i>Federal Program Revenues</i>	115,000	113,154	(1,846)
5020 Total Revenues	<u>6,158,500</u>	<u>6,208,463</u>	<u>49,963</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	2,460,000	2,460,000	--
0072 <i>Interest on Long-Term Debt</i>	3,200,000	3,171,789	28,211
0073 <i>Bond Issuance Costs and Fees</i>	300,000	17,414	282,586
Total Debt Service	<u>5,960,000</u>	<u>5,649,203</u>	<u>310,797</u>
6030 Total Expenditures	<u>5,960,000</u>	<u>5,649,203</u>	<u>310,797</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>198,500</u>	<u>559,260</u>	<u>360,760</u>
1200 Net Change in Fund Balance	<u>198,500</u>	<u>559,260</u>	<u>360,760</u>
0100 Fund Balance - Beginning	2,539,181	2,539,181	--
3000 Fund Balance - Ending	<u>\$ 2,737,681</u>	<u>\$ 3,098,441</u>	<u>\$ 360,760</u>

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

Data
Control
Codes

Responses

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?		Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?		Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$	2,769,613
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30, 34)	\$	1,403,333

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?		Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?		Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$	307,661
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$	147,241

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

EXHIBIT J-5

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2021 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>18,348,361</u>
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	<u> --</u>
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	<u> --</u>
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	<u>9,711,086</u>
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	<u> --</u>
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	<u>2,468,105</u>
7	Estimate of two months' average cash disbursements during the fiscal year	<u>4,936,210</u>
8	Estimate of delayed payments from state sources (58XX)	<u>11,980</u>
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	<u> --</u>
10	Estimate of delayed payments from federal sources (59XX)	<u> --</u>
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	<u> --</u>
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	<u>17,127,381</u>
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	<u>\$ <u>1,220,980</u></u>



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

Board of Trustees
Stephenville Independent School District
2655 W. Overhill Drive
Stephenville, Texas 76401

Members of the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stephenville Independent School District, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise Stephenville Independent School District's basic financial statements, and have issued our report thereon dated January 10, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Stephenville Independent School District in a separate letter dated January 10, 2022.

Purpose of this Report

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

Respectfully submitted,



Snow Garrett Williams

January 10, 2022



SNOWGARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Stephenville Independent School District
2655 W. Overhill Drive
Stephenville, Texas 76401

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Stephenville Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Stephenville Independent School District's major federal programs for the year ended August 31, 2021. Stephenville Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Stephenville Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



Snow Garrett Williams
January 10, 2022

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2021

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

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

Version of compliance supplement used in audit: July 2021 and October 2021 Addendum

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.425D, 84.425U	Elementary and Secondary School Emergency Relief Fund (ESSER)

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2021

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2021

A corrective action plan is not needed.

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN	Pass- Through Entity Identifying Number	Federal Expenditures
CHILD NUTRITION CLUSTER:			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	71402001	\$ 261,451
National School Lunch Program	10.555	71302001	1,102,606
Commodity Supplemental Food Program (Non-cash)	10.555	806780706	104,141
Total ALN 10.555			<u>1,206,747</u>
Total Passed Through State Department of Education			<u>1,468,198</u>
Passed Through Texas Department of Agriculture:			
Emergency Operational Cost Reimbursement Program (COVID-19)	10.555	806780706	21,449
Total Passed Through Texas Department of Agriculture			<u>21,449</u>
Total U. S. Department of Agriculture			<u>1,489,647</u>
Total Child Nutrition Cluster			<u>1,489,647</u>
SPECIAL EDUCATION (IDEA) CLUSTER:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
IDEA-Part B, Discretionary	84.027A	216600120729036677	11,542
IDEA-Part B, Discretionary	84.027A	66002106	25,567
IDEA-Part B, Formula	84.027A	226600010729036600	6,286
IDEA-Part B, Formula	84.027A	206600010729036600	6,874
IDEA-Part B, Formula	84.027A	216600010729036600	699,386
Total ALN 84.027A			<u>749,655</u>
IDEA-Part B, Preschool	84.173A	216610010729036610	12,696
IDEA-Part B, Preschool	84.173A	226610010729036610	865
Total ALN 84.173A			<u>13,561</u>
Total Passed Through State Department of Education			<u>763,216</u>
Total U. S. Department of Education			<u>763,216</u>
Total Special Education (IDEA) Cluster			<u>763,216</u>
OTHER PROGRAMS:			
<u>U. S. Department of the Treasury</u>			
Passed Through State Department of Education:			
Coronavirus Relief Fund (CRF - COVID-19)			
- Bulk Purchase Program (Base Match) (Non-cash)	21.019	52202002	9,000
Total Passed Through State Department of Education			<u>9,000</u>
Passed Through Texas Department of Emergency Management:			
Coronavirus Relief Fund (CRF - COVID-19)	21.019	072-903	38,383
Total Passed Through Texas Department of Emergency Management			<u>38,383</u>
Total ALN 21.019			<u>47,383</u>
Total U. S. Department of the Treasury			<u>\$ 47,383</u>

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT K-1
Page 2 of 2

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN	Pass- Through Entity Identifying Number	Federal Expenditures
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010A	20610101072903	121,124
ESEA Title I Part A - Improving Basic Programs	84.010A	21610101072903	627,111
ESEA Title I Part A - Improving Basic Programs	84.010A	22610101072903	21,776
Total ALN 84.010A			<u>770,011</u>
Career and Technical Education - Basic Grant	84.048A	21420006072903	39,053
Title III, Part A-English Language Acquisition & Language Enhancement	84.365A	20671001072903	16,201
Title III, Part A-English Language Acquisition & Language Enhancement	84.365A	21671001072903	38,283
Total ALN 84.365A			<u>54,484</u>
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	21694501072903	114,338
School Improvement Grants - Instructional Continuity	84.377A	17610740072903	5,100
Title IV, Part A, Subpart 1	84.424A	20680101072903	17,279
Title IV, Part A, Subpart 1	84.424A	21680101072903	40,927
Total ALN 84.424A			<u>58,206</u>
Elementary and Secondary School Emergency Relief Fund (ESSER I -COVID 19)	84.425D	20521001072903	48,487
Elementary and Secondary School Emergency Relief Fund (ESSER I -COVID 19) - PPRP	84.425D	52102035	482,474
Elementary and Secondary School Emergency Relief Fund (ESSER II-COVID 19)	84.425D	21521001072903	2,126,200
Total ALN 84.425D			<u>2,657,161</u>
Elementary and Secondary School Emergency Relief Fund (ESSER III-COVID 19)	84.425U	2152800107903	26,748
Total ALN 84.425U			<u>26,748</u>
Total ALN 84.425			<u>2,683,909</u>
Total Passed Through State Department of Education			<u>3,725,001</u>
Total U. S. Department of Education			<u>3,725,001</u>
<u>U. S. Department of Agriculture</u>			
Passed Through Texas Department of Agriculture:			
State Administrative Expenses for Child Nutrition	10.560	806780706	7,827
Total Passed Through Texas Department of Agriculture			<u>7,827</u>
Total U. S. Department of Agriculture			<u>7,827</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>6,033,174</u>

The accompanying notes are an integral part of this schedule.

STEPHENVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Stephenville Independent School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Stephenville Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Reconciliation

The following table reconciles expenditures per the Schedule of Expenditures of Federal Awards to the federal program revenues per the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

Federal Program Revenues	\$ 6,474,594
SHARS	(328,266)
Qualified School Construction Bond (QSCB) Federal Subsidy	(113,154)
Total Expenditures of Federal Awards	<u>\$ 6,033,174</u>

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

Data Control Codes		Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.)	Yes
	Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.	
	Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year-end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ 488,175

